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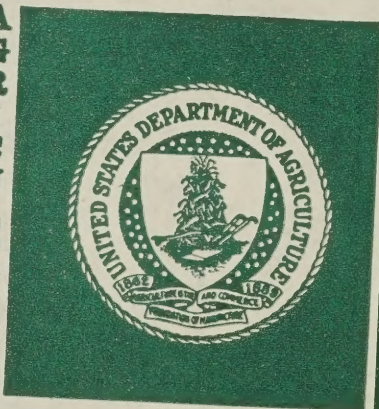
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In the Matter of:
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STRUCTURE OF AMERICAN AGRICULTURE AND
RURAL COMMUNITIES
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9:00 a.m.
April 29, 1980,

14th and Independence Streets
Jefferson Auditorium
Washington, D. C.,

BEFORE: Secretary of Agriculture, Bob Bergland,

ALSO PRESENT:

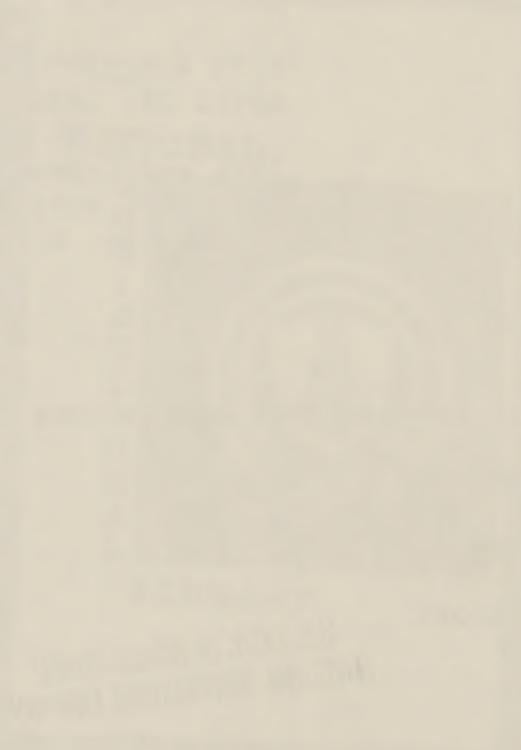
J. B. PENN

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ADDITIONAL MEMBERS AND ASSOCIATES

1957

1958

1959

1960

1961

1962

1963

John T. Anderson, Portland Industries, Inc.
 Dr. Paul Farris, Oregon University
 Howard Lewis, National Optical Council
 Dr. Kenneth E. Nelson, National Optical Council
 Robert Davidson, National Optical Council
 Richard Davidson, National Optical Council
 Association
 Dr. Allen Thompson, University of New Hampshire

P R O C E E D I N G S

SECRETARY BERGLAND: It is two minutes past 9 o'clock. As most of you know, this three-day session will conclude the first phase of the national dialogue on the structure of agriculture that began with 10 public meetings held throughout the country last November and December.

We called those meetings to give farmers and people from all walks of life an opportunity to say what kind of food and agriculture system we ought to have in the next 10 to 20 years and to tell us what role, if any, public policy ought to play in its development.

Seventy percent of those who testified at the 10 regional meetings were farmers who spoke for themselves or for a farm organization.

Others represented research or advocacy groups, farm cooperatives, religious organizations, agribusiness, banks, government, labor, consumers, academia and the press.

Copies of the summary of what was said at those meetings are available today in the foyer outside the auditorium.

You will note from the summary that the testimony was as frank as it was wide-ranging and that the opinions expressed were sharply diverse.

1 Those first ten meetings deliberately focused on⁴
2 regional problems and successes, but in this session I hope
3 we can switch perspective from the regional to the national
4 and concentrate on the central issues.

5 I especially want to hear your views about public
6 policies and their effect on farming, on supplying farmers,
7 on marketing farm products, on bringing new farmers into
8 the business, on the health and vigor of rural communities,
9 and on the preservation and use of our natural resources.

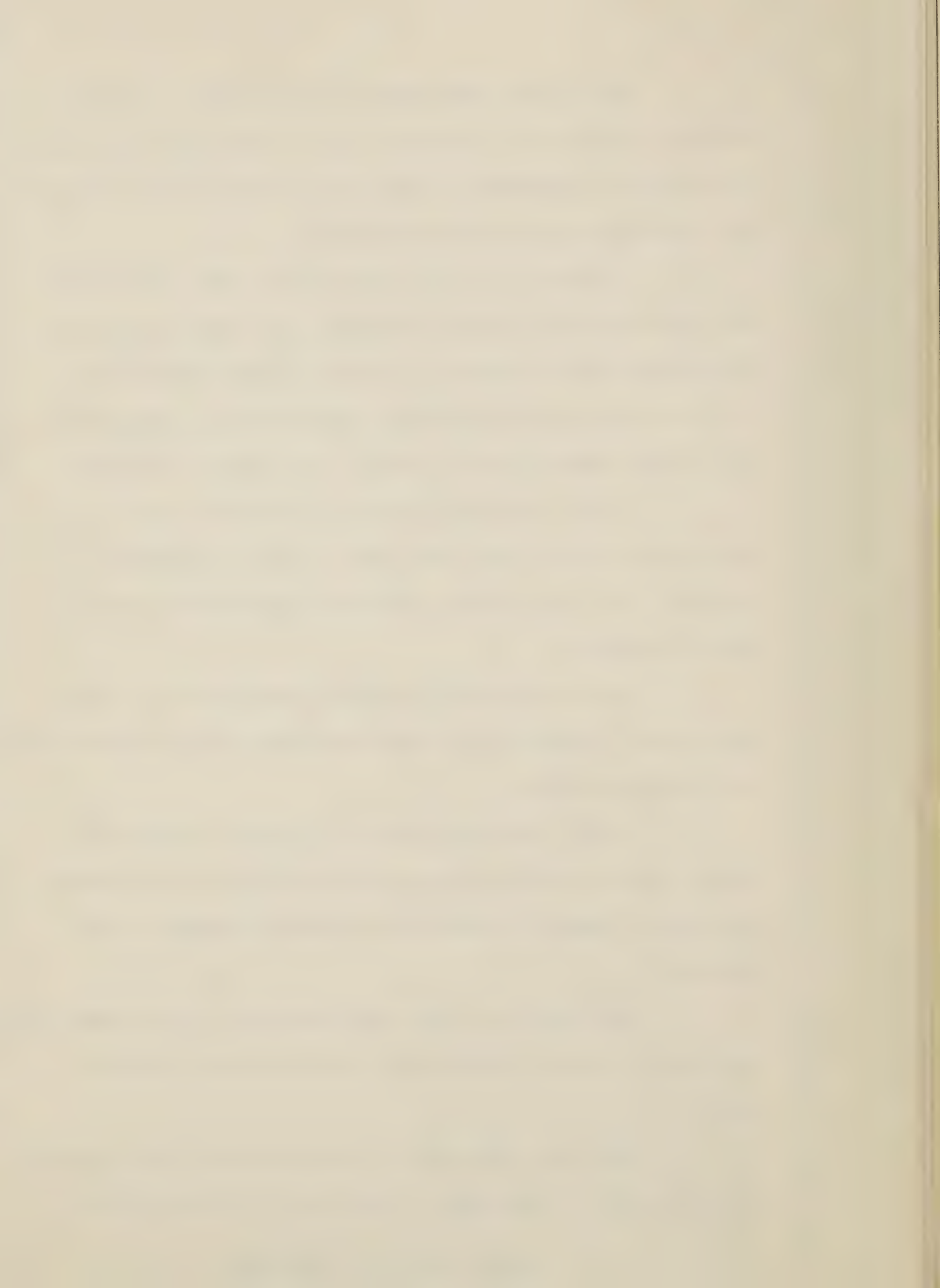
10 I want to make it clear at the outset that I am
11 interested in more than your views on the big numbers, the
12 averages, the total needs, the total supplies and all the
13 other statistics.

14 We are, after all, talking about people -- women
15 and men and children with hopes and dreams, with frustrations
16 and disappointments.

17 Policy, after all, has to be made to serve the
18 people, whether those people are growers or farm workers or
19 shippers or research scientists or urban consumers--rich
20 and poor.

21 The record of this public meetings will be kept open
22 until May 31 for any additional comments anyone wants to
23 submit.

24 Then the information, recommendations and opinions
25 offered at all 11 meetings or provided in writing will be



1 analyzed for plausibility and feasibility.

2 The plausible and feasible will then be meshed
3 with specific information developed through research
4 conducted by the USDA, farm and rural life organizations,
5 agribusiness and public interest groups, land grant colleges
6 and individual authorities on structure.

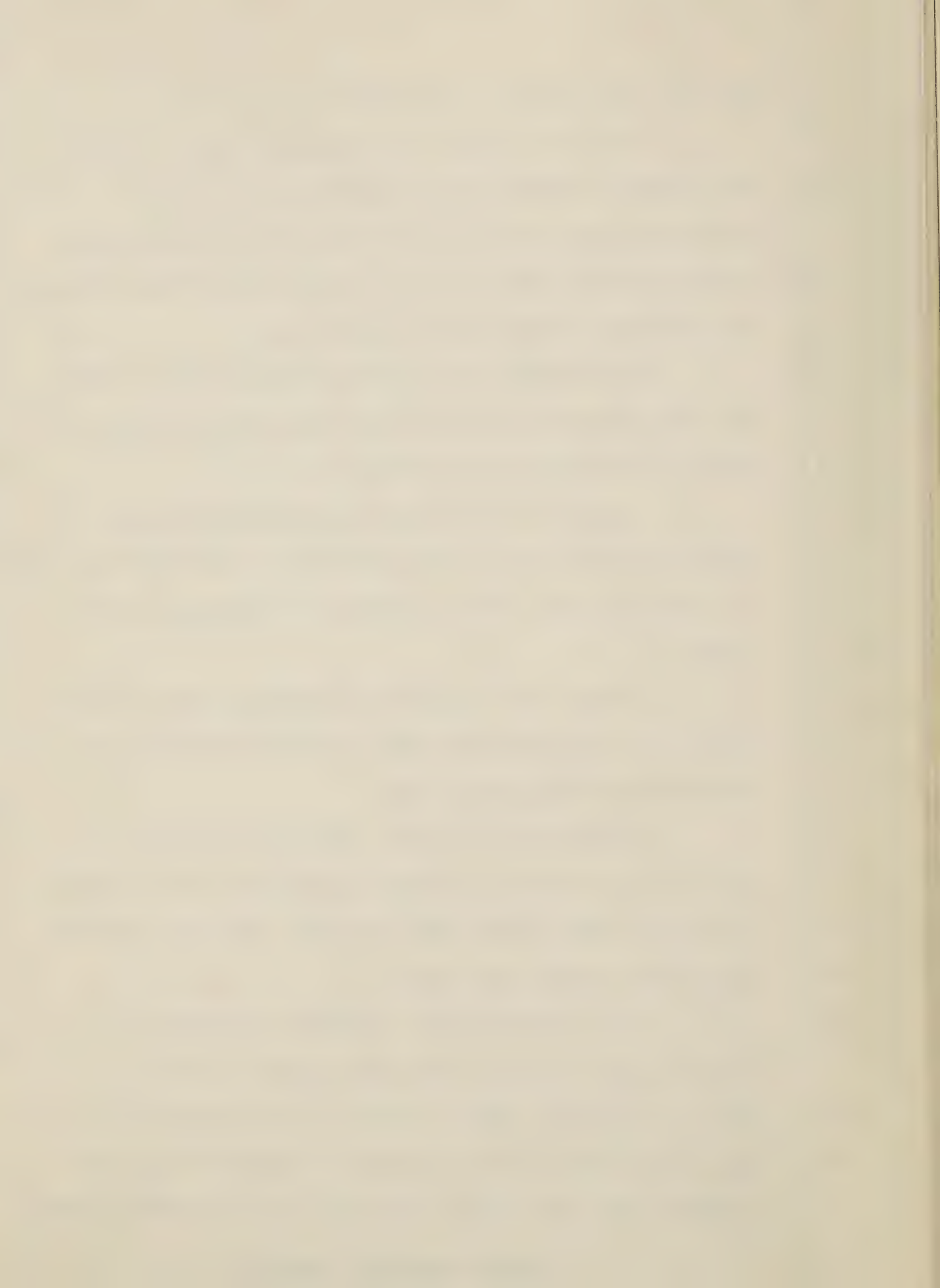
7 The findings of the project should help us deter-
8 mine how appropriate and effective the policies behind our
9 programs are today or will be tomorrow.

10 Our goal is to have any recommendations for
11 changes ready by the time Congress takes up the 1981 farm bill
12 or drafts any major new tax, credit or regulatory legis-
13 lation.

14 I might note in closing that while the structure
15 project is a non-partisan effort, it is political in the
16 classic Greek sense of the word.

17 To the ancient Greeks, politics had everything
18 to do with the way they related to each other as citizens,
19 with the way they raised their children, with the way they
20 upheld their values as a people.

21 So as we meet here to discuss the factors,
22 including public policy, that will influence the organi-
23 zation, the control and the direction of American agricul-
24 ture for the next several decades, we might keep in mind
25 something that was said by one of the first witnesses at the



1 regional meetings.

2 "As we consider the structure of our agriculture,"
3 he said, "remember that we are dealing with the shape of
4 our democracy." That we are. Now let's begin.

5 First this morning we have a panel of persons who
6 are going to discuss the general question of agriculture
7 and the economy.

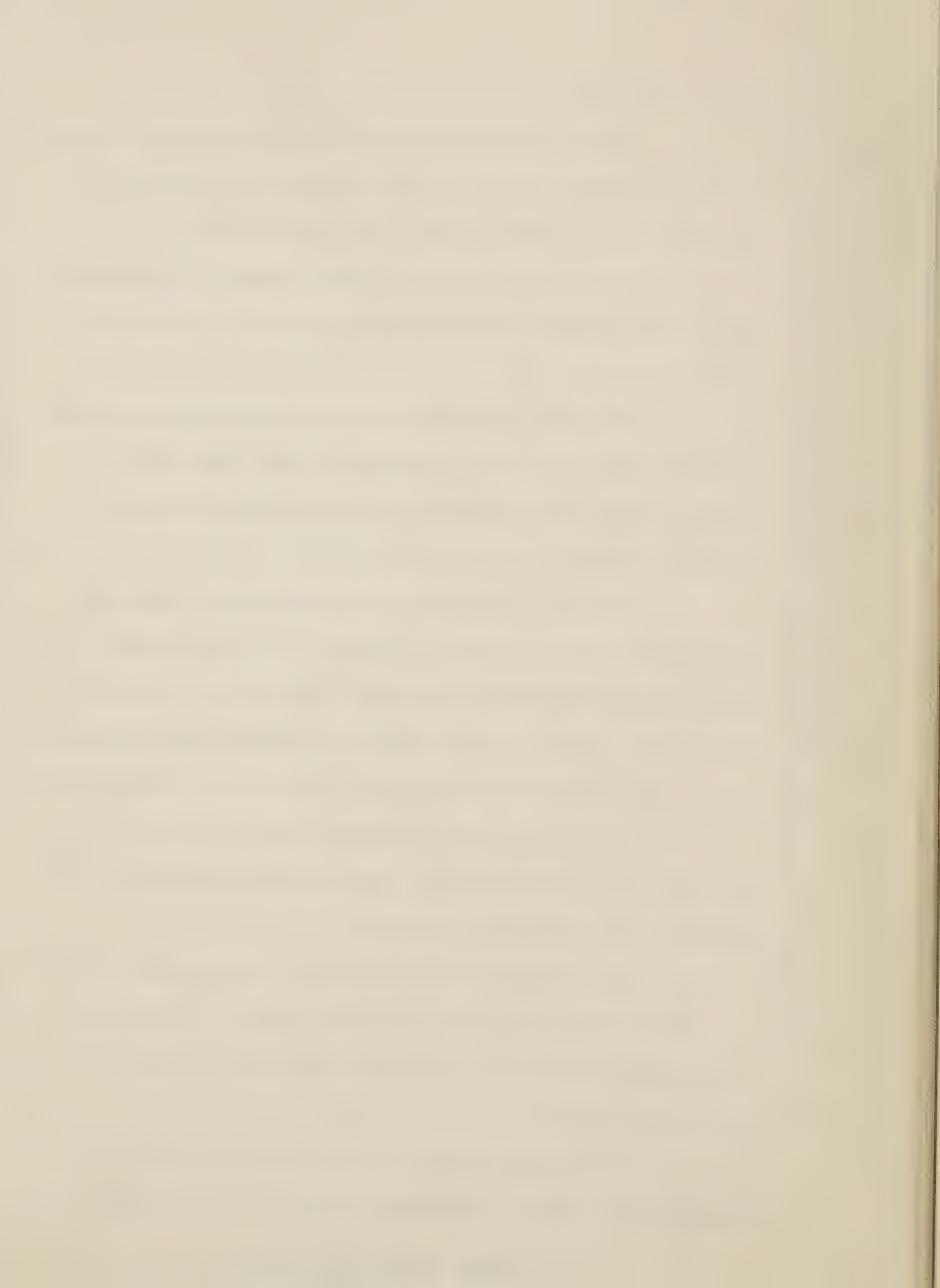
8 We have, from the Community Nutrition Institute,
9 Ms. Ellen Haas; we have, representing the Cowbelles
10 organization, Mrs. Connie Townsend from White Sulphur
11 Springs, Montana, I think it is.

12 We have, from the Purdue University, Assistant
13 Professor of Agricultural Economics, Dr. Otto Doering; from
14 the National Association of Retail Grocers of the United
15 States, Mr. Lewis Norwood; from the National Association of
16 State Departments of Agriculture, we have Dr. William Stephens.

17 And, ladies and gentlemen, we are pleased that
18 you have come this morning. Your prepared statements will
19 appear in the record as prepared.

20 We would ask you to attempt to keep your remarks
21 to five minutes each, if you would, please. Following
22 your presentations, we will then question you, each of
23 you, individually.

24 On my right is Dr. J. B. Penn, who heads the
25 Department's Economic Research Group, as Statistician



1 from Arkansas.

2 He brings to this place a certain flair and some
3 skill which gives this Department a balance we always must
4 maintain.

5 Dr. Penn, do you have anything to say for
6 yourself?

7 DR. PENN: No.

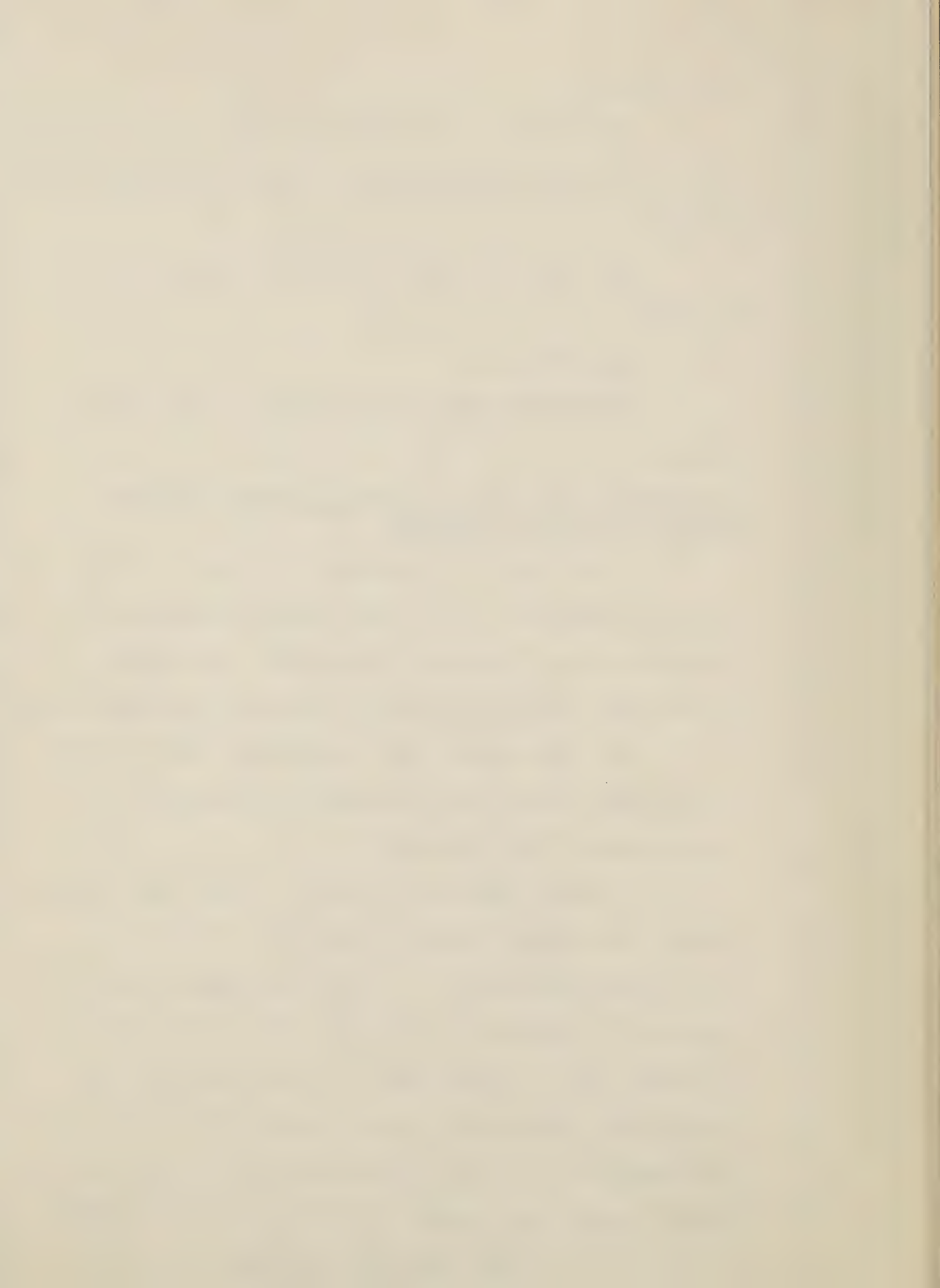
8 SECRETARY BERGLAND: Ms. Haas, we will start
9 with you.

10 STATEMENT OF ELLEN HAAS, DIRECTOR, CONSUMER DIVISION
11 COMMUNITY NUTRITION INSTITUTE

12 Thank you, Mr. Secretary, Mr. Penn. It is a
13 pleasure to be here. As you well know, consumers are
14 affected in very fundamental ways by the food system
15 of which the agriculture sector is the most important step.

16 As consumers we have an enormous stake in the
17 policy reorientation and programmatic changes being
18 contemplated by the Department.

19 Equally important, we feel, is the need both to
20 address the charges leveled by some what we feel are
21 short-sighted critics of a food policy which seeks to
22 consider the concerns of food consumers as well as food
23 producers, and to explore ways to bring increased under-
24 standing and cooperation between farmers and consumers in
25 the common need to craft a food system which meets the
health, economic and social needs of all who are a part



1 of that food system.

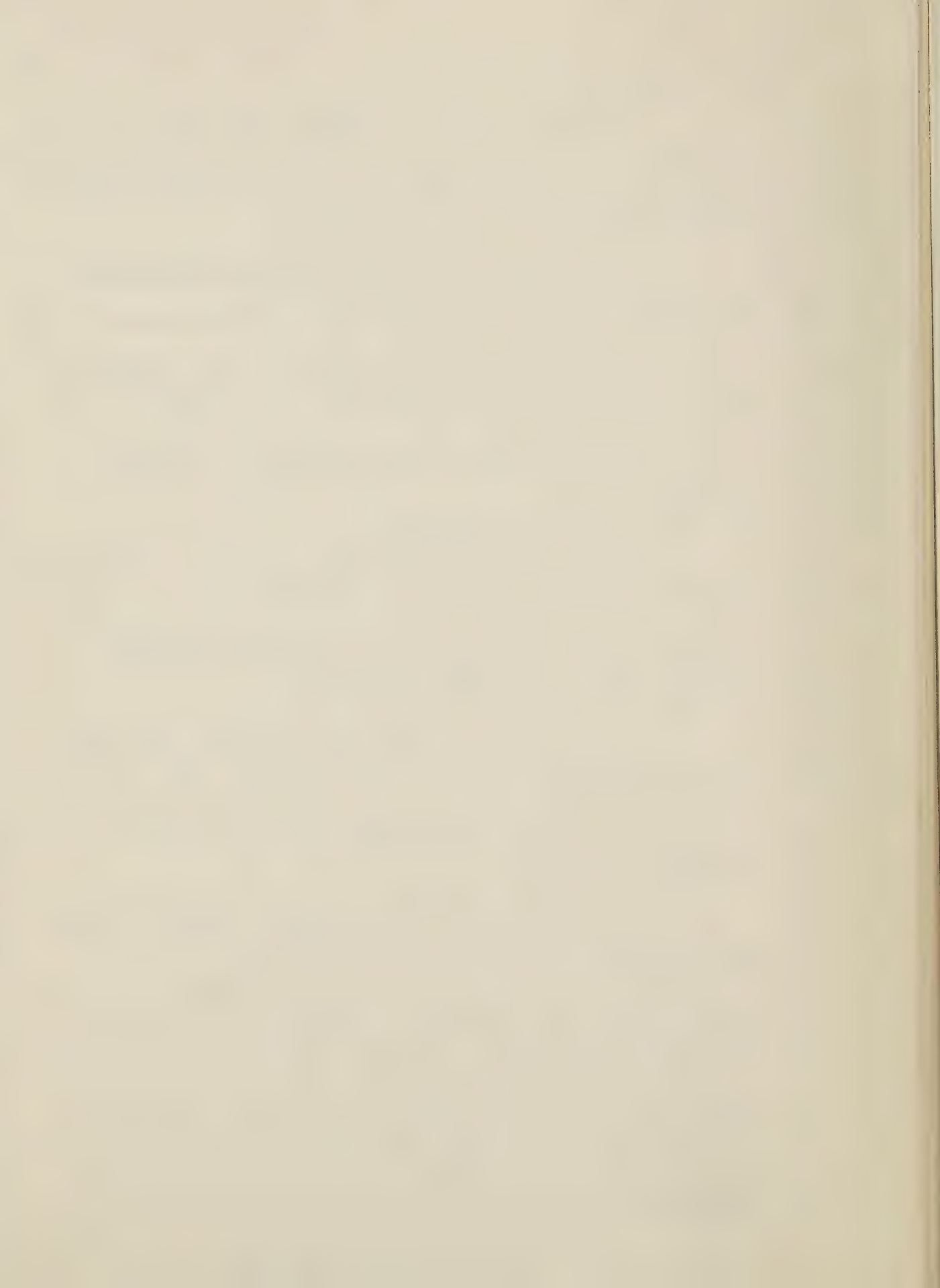
2 Without question, the issue areas which have been
3 discussed, thus far, through the structure hearings are of
4 immense importance to the farm community.

5 Commodity, tax, land, credit and development
6 policies are basic to any discussion of farm programs. But
7 it is equally clear that these issues and the production
8 sector they directly involve do not form a closed circle;
9 they cannot be considered in any isolated or confined
10 fashion.

11 These issues are actually a part of a much larger
12 societal concern -- the process through which the population
13 manages to feed itself safe and nutritious food which
14 promotes health and human productivity.

15 This is the most basic and necessary challenge
16 human beings face, and it is this fact that sets food policy
17 and thus agriculture policy apart from other sectors of the
18 economy and society.

19 It is also what requires policy makers to consi-
20 der farm policy in the context of food policy. Clearly,
21 the structure and continuing maintenance of a healthy,
22 competitive, resource -- efficient, and financially solvent
23 farm sector is the most important aspect of food policy,
24 as it is this sub-economy which provides the most essential
25 components of all food products -- raw agricultural



1 commodities.

2 This is the precept that has guided the organi-
3 zation and operation of the Department and which justifies
4 the current review of commodity and tax policies which
5 often favor larger operators over smaller groups and which
6 consequently have a direct bearing on the cost of land,
7 on the expenditure of limited production resources and the
8 like.

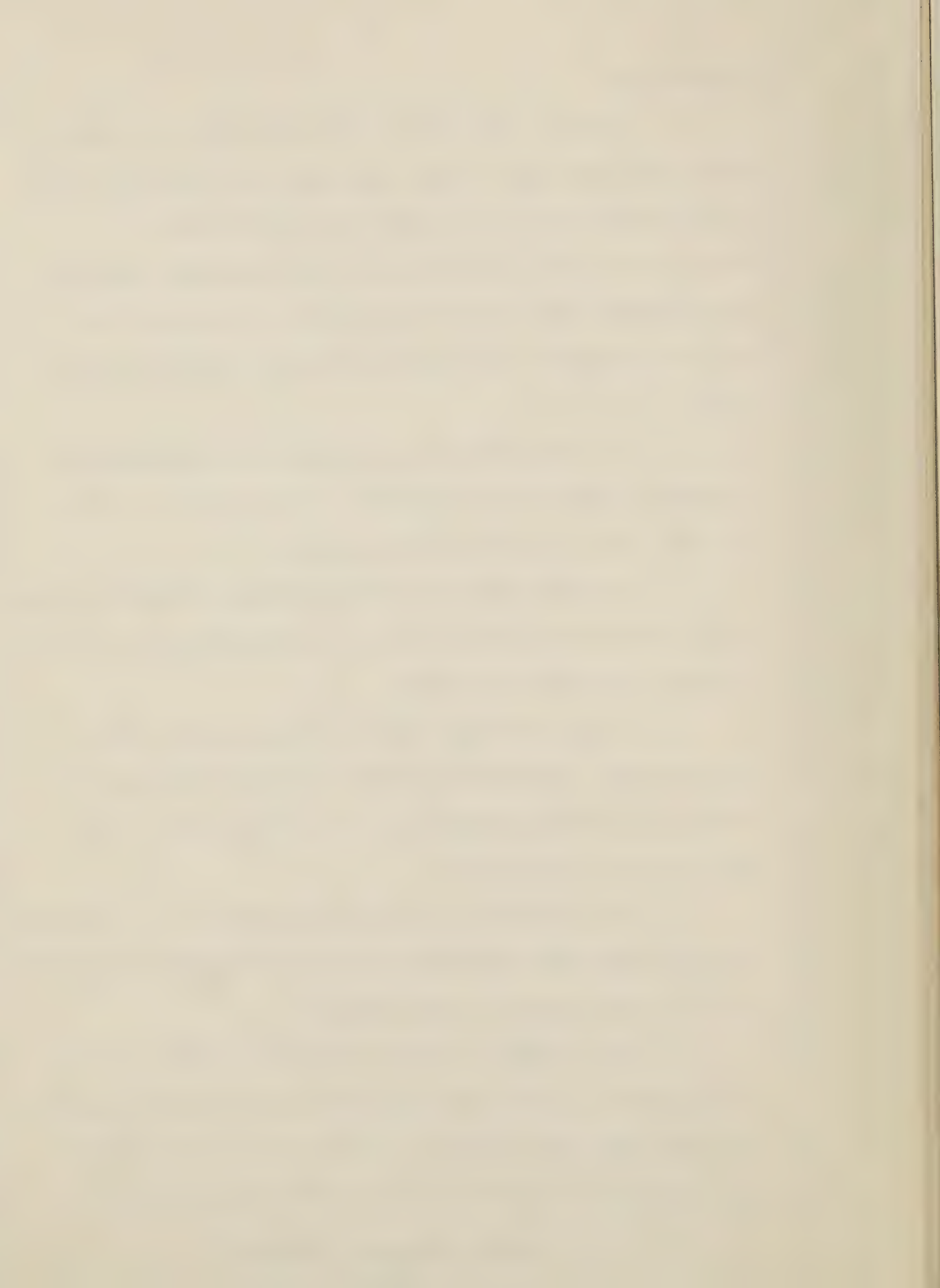
9 It also justifies the focus on the diminishing
10 competition between the providers of agricultural inputs
11 and the rising expense of those inputs.

12 But the policy review and program evaluation cannot
13 stop here because this is only one part, albeit an extremely
14 important one, of the system.

15 There are major problems in areas that USDA
16 has not even attempted to address in these hearings, but
17 which are supremely important to the larger food system
18 structure and performance.

19 In particular, I am speaking about the performance
20 of food industries and the structure of policies which carry
21 food from the farmer to the consumer.

22 For example, a recent USDA study indicates that
23 concentration in the food manufacturing industries is growing
24 steadily and that by the turn of the century the largest
25 50 firms could control the entire food manufacturing



1 sector.

2 Furthermore, a USDA economist also estimates that
3 the cost of food to the consumer is now increased by 13.6
4 percent because of this severe state of concentration--
5 a figure which can only be expected to grow as competition
6 diminishes.

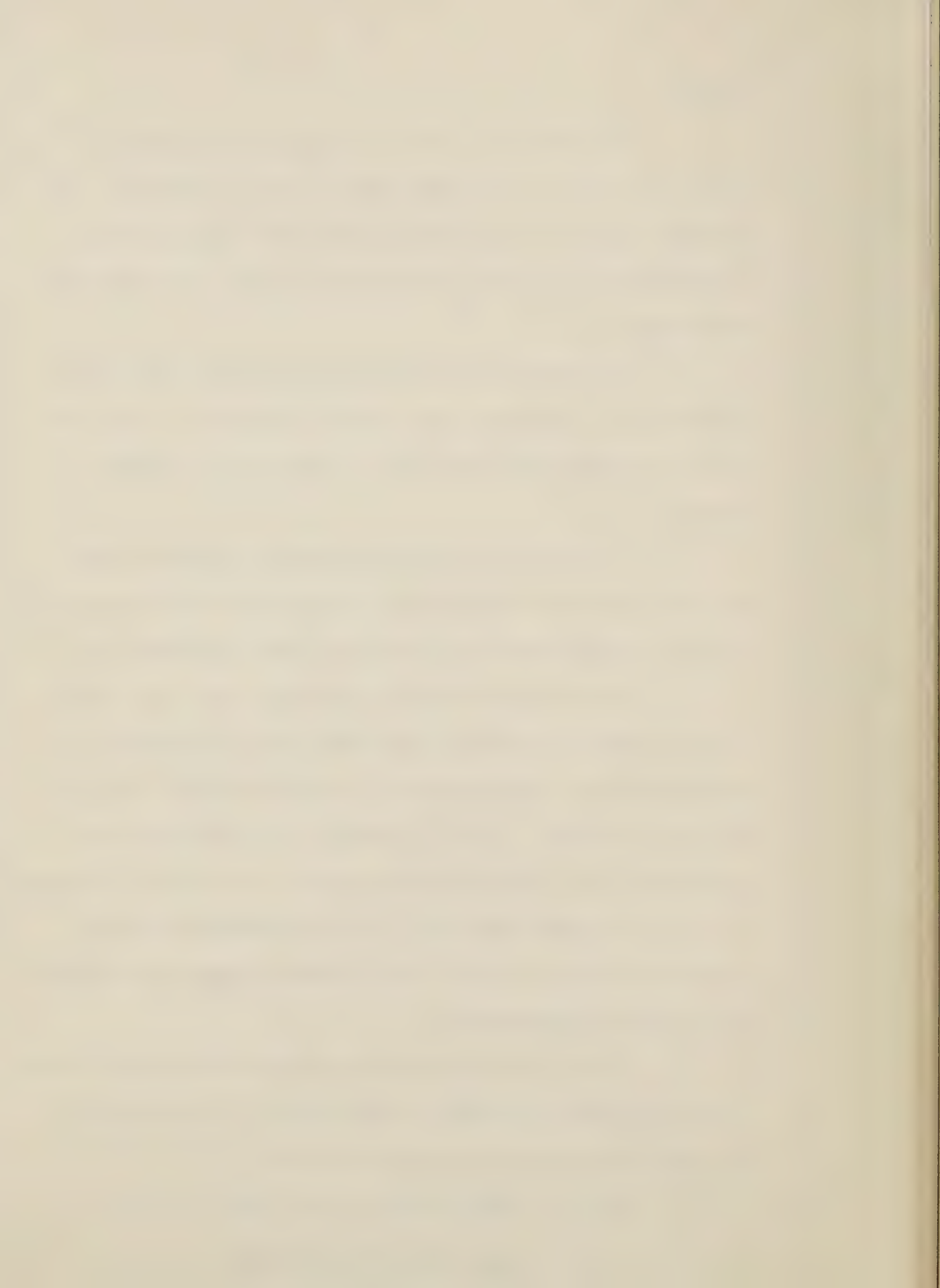
7 Evidence is also accumulating which shows that
8 advertising, packaging and marketing expenses in the food
9 system are excessive and lead to inflation in consumer
10 prices.

11 Certainly there is also growing concern about
12 the chemicals and contaminants which either deliberately or
13 unintentionally find their way into food consumers eat.

14 And there is concern about the fact that since
15 the Government's exciting new nutrition guidelines do not
16 square with the consumption or production status quo, it
17 will be difficult, if not impossible, to implement the
18 guidelines in a comprehensive manner -- in feeding programs,
19 in the food grading services, in the federal nutrition
20 education programs and in the processed foods now marketed
21 by the food conglomerates.

22 These are some of the problems and concerns which
23 face consumers and society's food system. One could go
24 on for hours and there are many others.

25 They are fundamental to the effective and



1 efficient operation of the food system and its service
2 to the population, yet they are in no way addressed by this
3 discussion of structure by the Department.

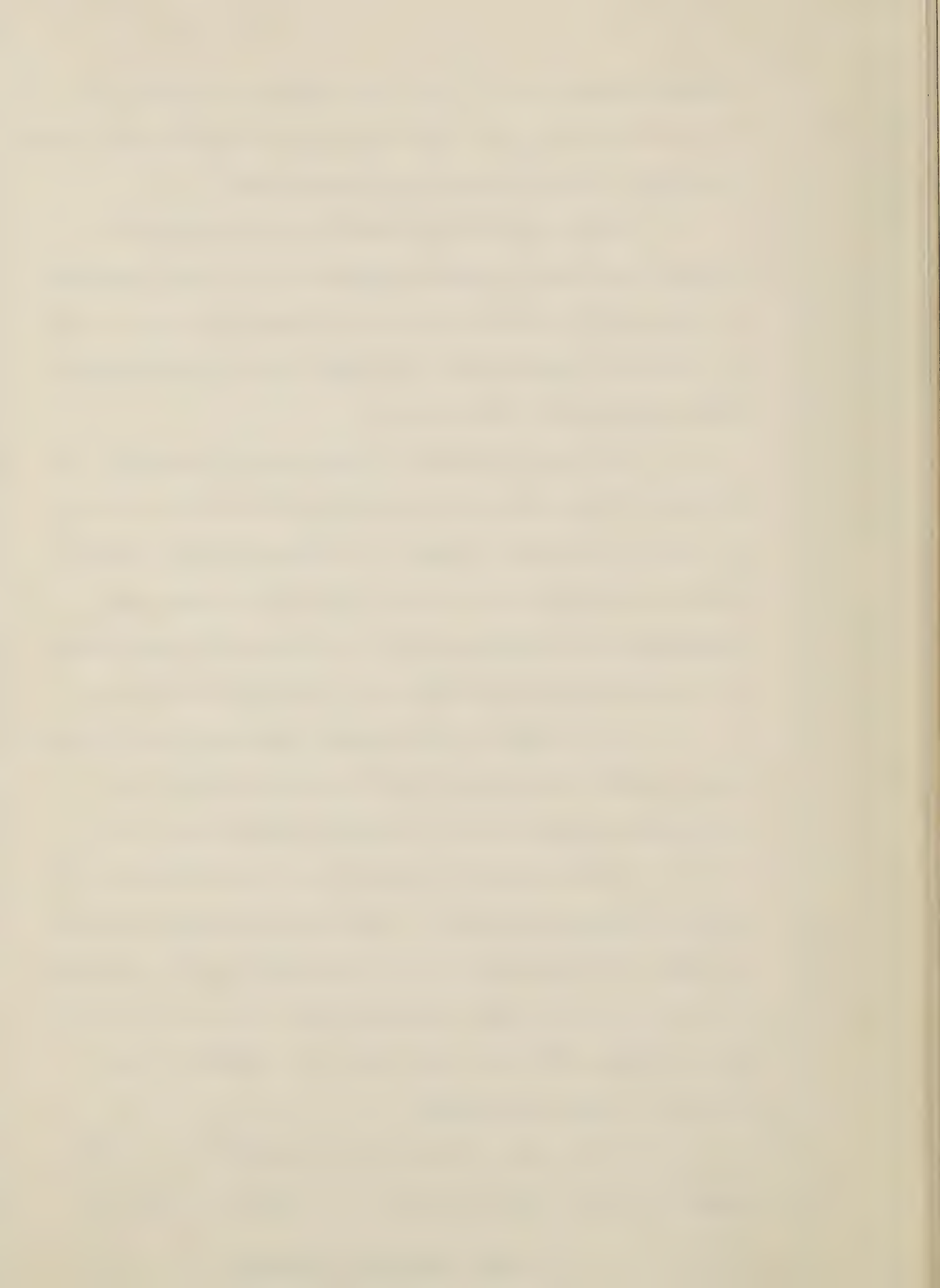
4 Since a principal reason for the structure
5 project has been to promote debate and heighten awareness
6 on key policy problems, we feel the Department has missed
7 an important opportunity to enhance public understanding
8 about problems in these areas.

9 Not only is this a disservice to consumers; we
10 believe it is a disservice to the farm community as well.
11 It may be difficult to see, but farmers do have a direct
12 interest in seeing to it that these other issues are
13 addressed and that the policies governing the farm sector
14 are considered in the context of a larger food policy.

15 For example, farm groups often say that consumers
16 want a cheap food policy, which gets translated into
17 Government policies which suppress commodity prices.

18 This is wrong -- that it is a misperception of
19 genuine consumer concerns. Certainly no person wants to
20 pay more for anything than he or she has to, but consumers
21 know it is not in their long-term best interest to refuse
22 to guarantee efficient and competitive farmers a fair
23 return on their investment.

24 To be sure, there are some commodities, like
25 sugar and milk, where the method of support, involving



1 increases in market prices instead of deficiency
2 payments, are unfairly burdensome on the poor.

3 In addition, consumers would probably like a
4 mechanism to prevent commodity prices from going through
5 the roof -- we we saw in the early 1970's -- in exchange for
6 publicly supported loans and payments.

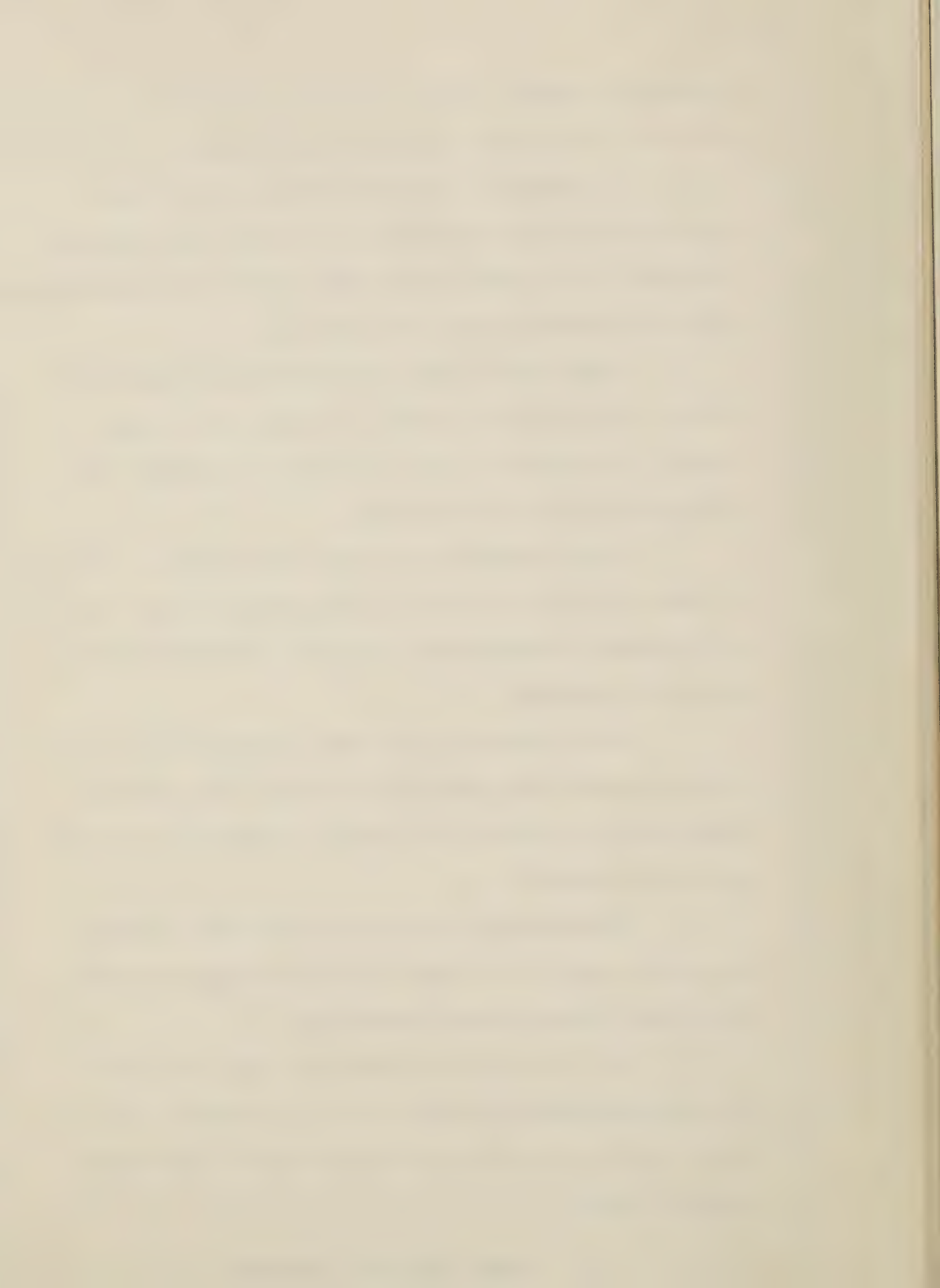
7 But by and large, consumers do not oppose fair
8 returns to producers -- given, of course, that these
9 returns are provided in ways that do not aggravate land,
10 resource and input cost problems.

11 What consumers are really interested in, however,
12 is equity in the marketplace, a guarantee that the food they
13 buy is safe, and meaningful nutrition information and
14 education programs.

15 With respect to food cost, consumers have con-
16 tinually sought Government action on the food industry
17 concentration problem in an effort to eliminate that 13.6
18 percent overcharge.

19 Consumers have also pushed for the Government
20 to provide funding for improved food marketing systems
21 where such systems are now inadequate.

22 And consumers are advocating the formation of
23 labeling and grading policies that will enable us all to
24 make prudent food buying decisions based on the health
25 value of foods.



1 But there is no real Government context through
2 which these programs can be won; today the Government
3 focuses principally on agriculture and not food.

4 In fact, food policy and consumer food concerns
5 are viewed as step-children of agriculture policy.
6 Thus, it is clear that a new institutional framework for
7 addressing the more complex food policy challenge of the
8 1980's and beyond is now necessary.

9 In this regard, a newly structured Department of
10 Food and Agriculture is needed to tackle the problems and
11 performance of the whole food system as well as the roles
12 of both the farmer and the consumer as the most important
13 participants of the system.

14 While some backward-looking critics contend that
15 such a focus is contrary to the best interests of USDA's
16 traditional farm constituency, it is actually the
17 willingness and ability of this or some new and larger
18 Department to focus on the problems up and down the line
19 that;

20 One: Assures that the food system operates
21 equitably for all participants, including farmers as well
22 as consumers, and which thus justifies the public expense
23 of maintaining a Cabinet-level Executive Agency for its
24 oversight;

25 Two: Serves to focus attention and resources on

1 important economic, health, and safety problems at all
2 levels of the food system;

3 Three: Serves to educate the population as to
4 the true cost of each sector of the food system, as well
5 as actual sources of increasing costs;

6 Four: Opens up lines of communication between
7 all participants of the food system to achieve the larger
8 health and economic goals of the society;

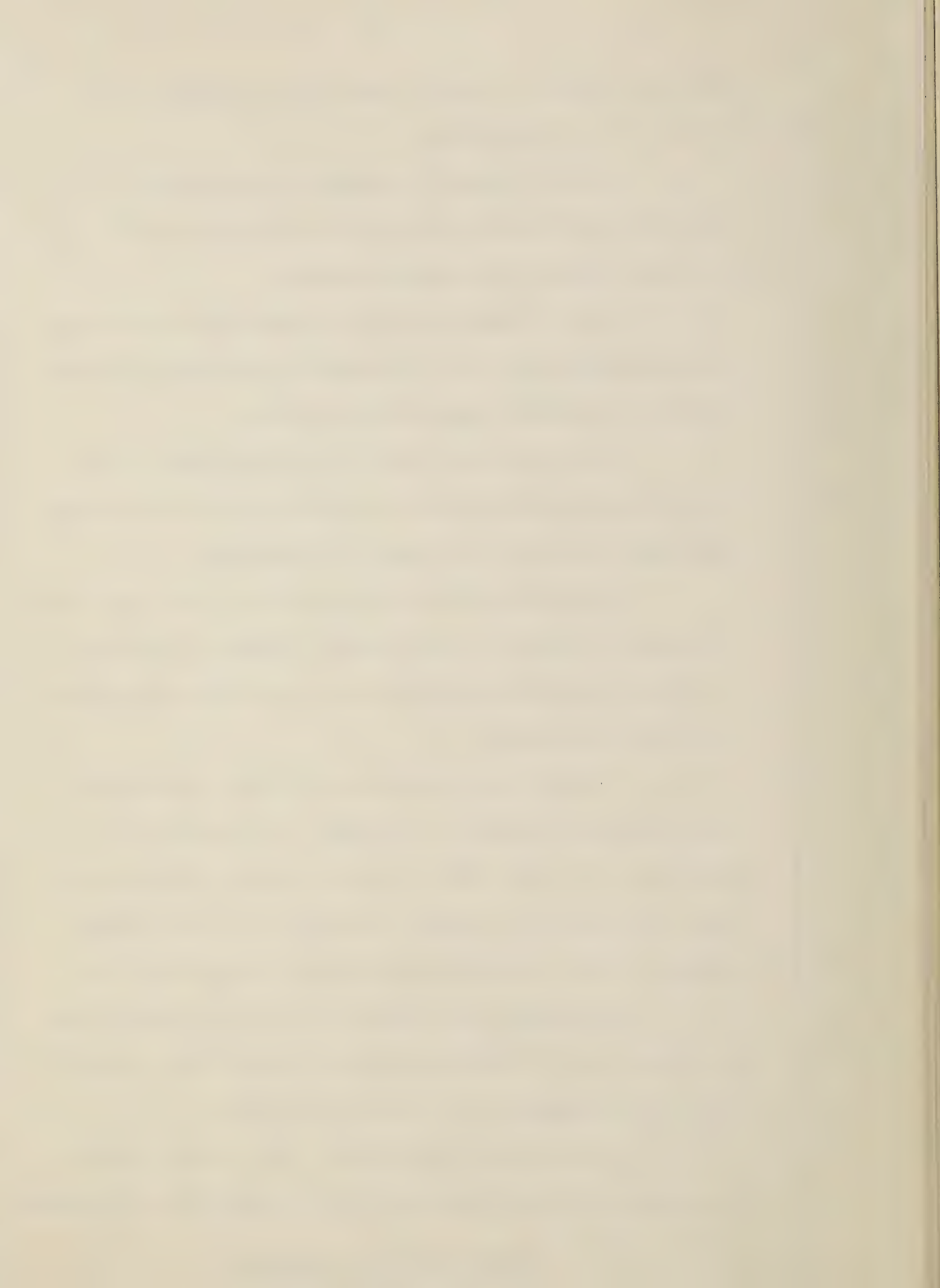
9 Five: Elevates the policy importance of the
10 food production sector to its rightful place as the most
11 important component of a larger food system.

12 The agency and policies affecting the farm could
13 no longer be viewed as mere special interest promotion,
14 but rather as a necessary part of a process fundamentally
15 important to society.

16 Clearly, all participants of the food system
17 would be better served as a result. In conclusion, I
18 would only add that USDA was founded over a century ago
19 with the mission of helping the people of this country
20 succeed at their principle occupation; producing food.

21 The agency has excelled at this task and is now
22 in the process of determining how to solve the problems
23 that have developed over the last 25 years.

24 This is also commendable. But in the process,
25 the Department must recognize that the principal occupation



1 of the U. S. is no longer agriculture and that for 95
2 percent of the population the principal concerns about
3 food are retail cost, safety, and health value.

4 An institutionalized mechanism for addressing
5 these problems is key if the problems of the larger
6 food system, including those of the farmer, are to be
7 resolved.

8 SECRETARY BERGLAND: Thank you very much,
9 Ms. Haas, Our next is Mrs. Connie Townsend from White
10 Sulphur Springs, Montana.

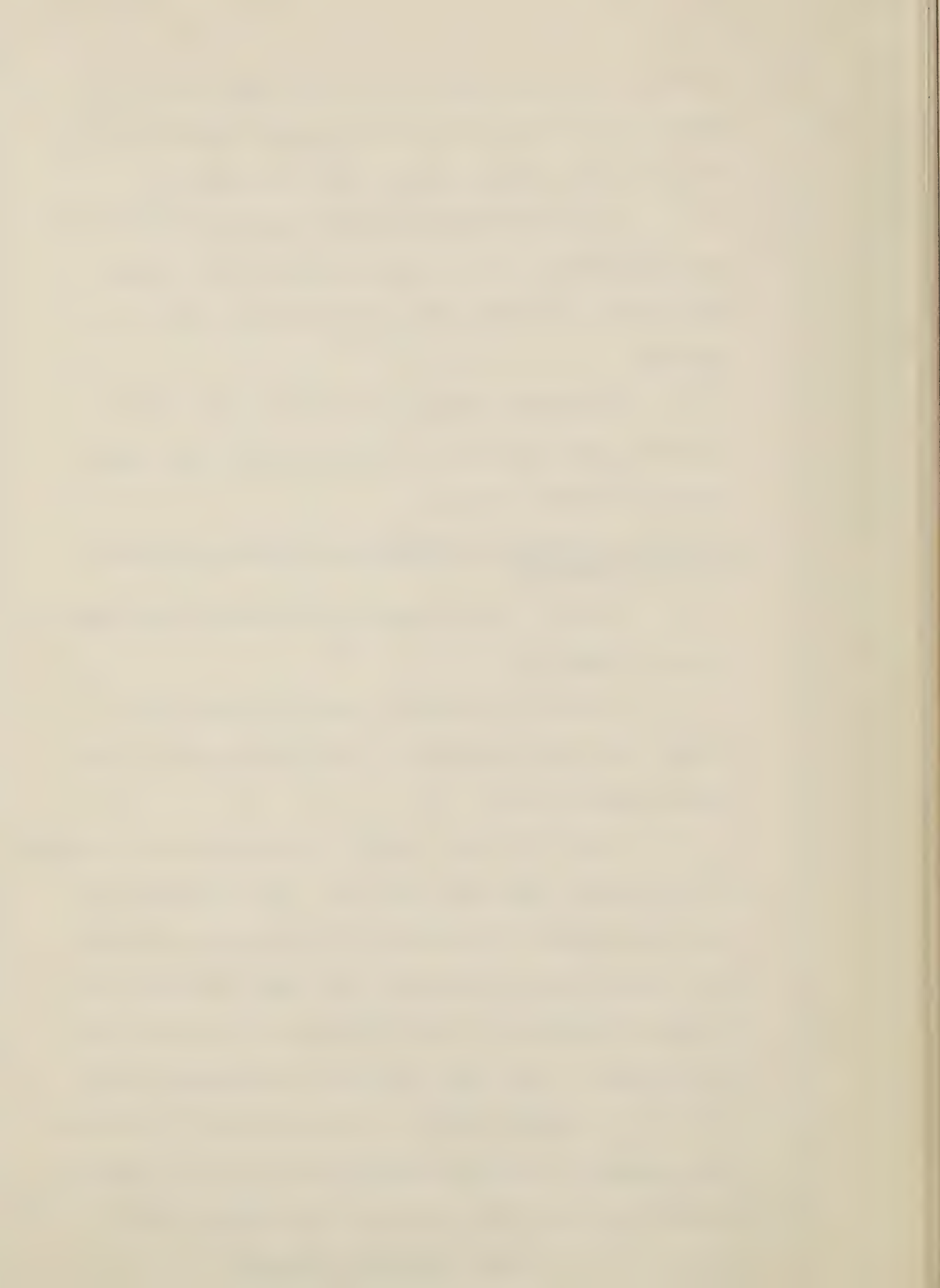
11 STATEMENT OF CONNIE N. TOWNSEND, PRESIDENT, AMERICAN
12 NATIONAL COWBELLES

13 Today I am speaking as President of the American
14 National CowBelles --

15 SECRETARY BERGLAND: Would you speak more
16 closely into the microphone. These micros have to be
17 spoken directly into.

18 MRS. TOWNSEND: Today I am speaking as President
19 of the American National CowBelles. The structure of
20 our organization is outlined in my prepared statement,
21 but I would like to emphasize that most of us are wives
22 of cattle ranchers or cattle feeders and partners with
23 our husbands in the family business of producing beef.

24 I address myself to the problem of the adverse
25 and misleading information being put out by the USDA as
regards the nutritional value of our product, beef.



1 As a partner in our ranching operation, I take
2 great exception to the unsubstantiated claims promulgated
3 by the USDA in a myriad of ways to direct the eating habits
4 of the American public away from our product.

5 As a home economist, I take further offense at
6 the barrage of misleading nutritional information being
7 put forth under the guise of fact as regards beef.

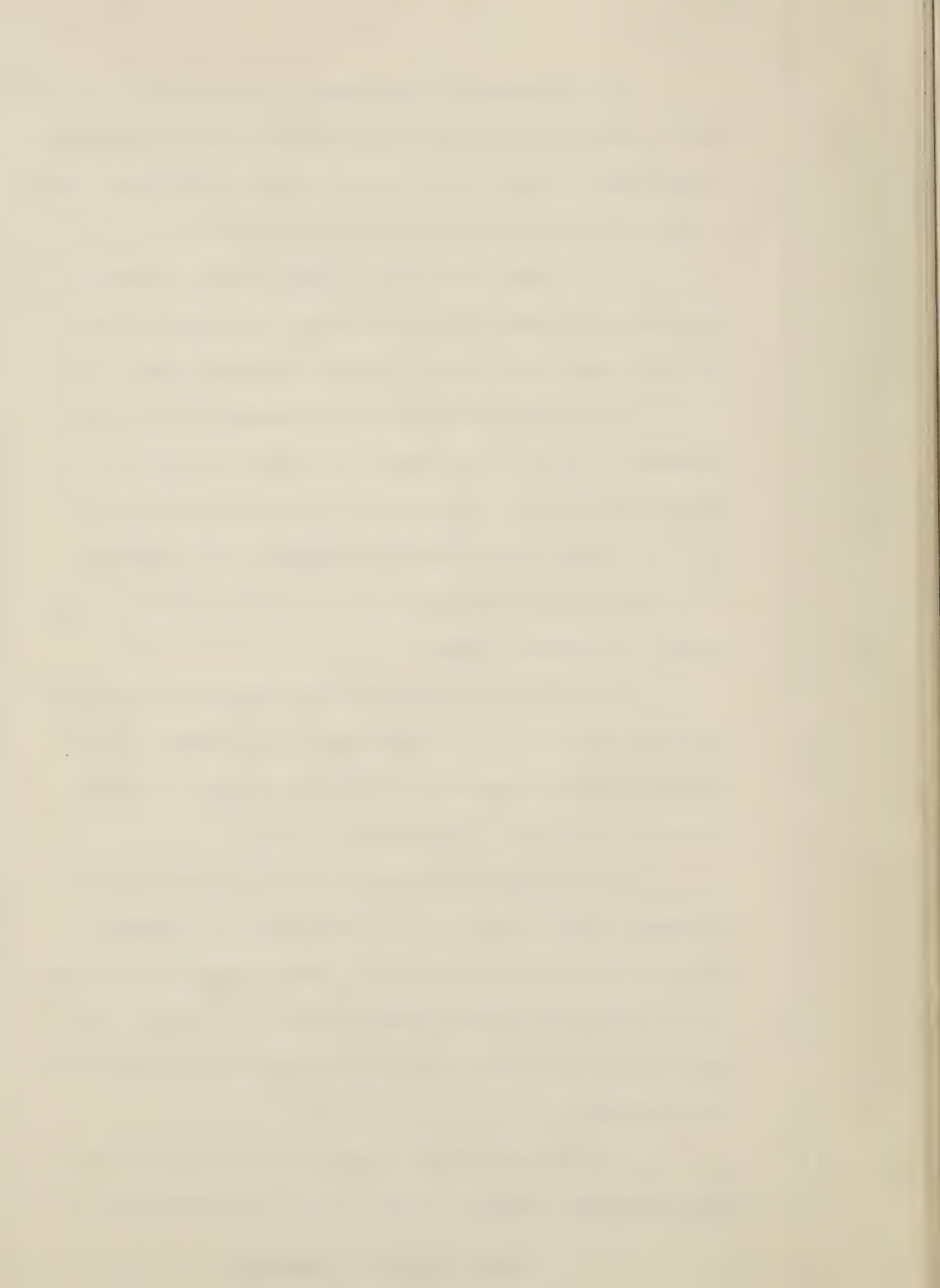
8 The alleged relationship between dietary fat,
9 cholesterol and heart disease is based on an old, often-
10 repeated and widely accepted but unproven hypothesis.

11 The proper scientific approach to a question
12 is to test a hypothesis and, if it is not proven, to go
13 on and test another theory.

14 The American National CowBelles feel the public
15 has been misled about fat consumption and types of fat.
16 Today's average consumption of saturated fat is little
17 different from what it was back in 1910.

18 We would call your attention to the monthly
19 "Consumer Buying Alert" from the Office of Consumer
20 Affairs wherein we find stated: "Most Americans eat more
21 protein than they really need and much of it is in the
22 form of red meat with a high proportion of saturated fat
23 and cholesterol."

24 Among recommended dietary changes listed were
25 more vegetable protein, less red meat. Statements such



1 as this are further exploited by the news media as in the 17
2 example of the "Rocky Mountain News" of Wednesday, March 5,
3 1980, wherein we find strategically located right next to a
4 column devoted to "Denver Areas School Menus" the advice to --
5 and I am quoting -- "Try to eat fish and fowl instead of
6 meat,"

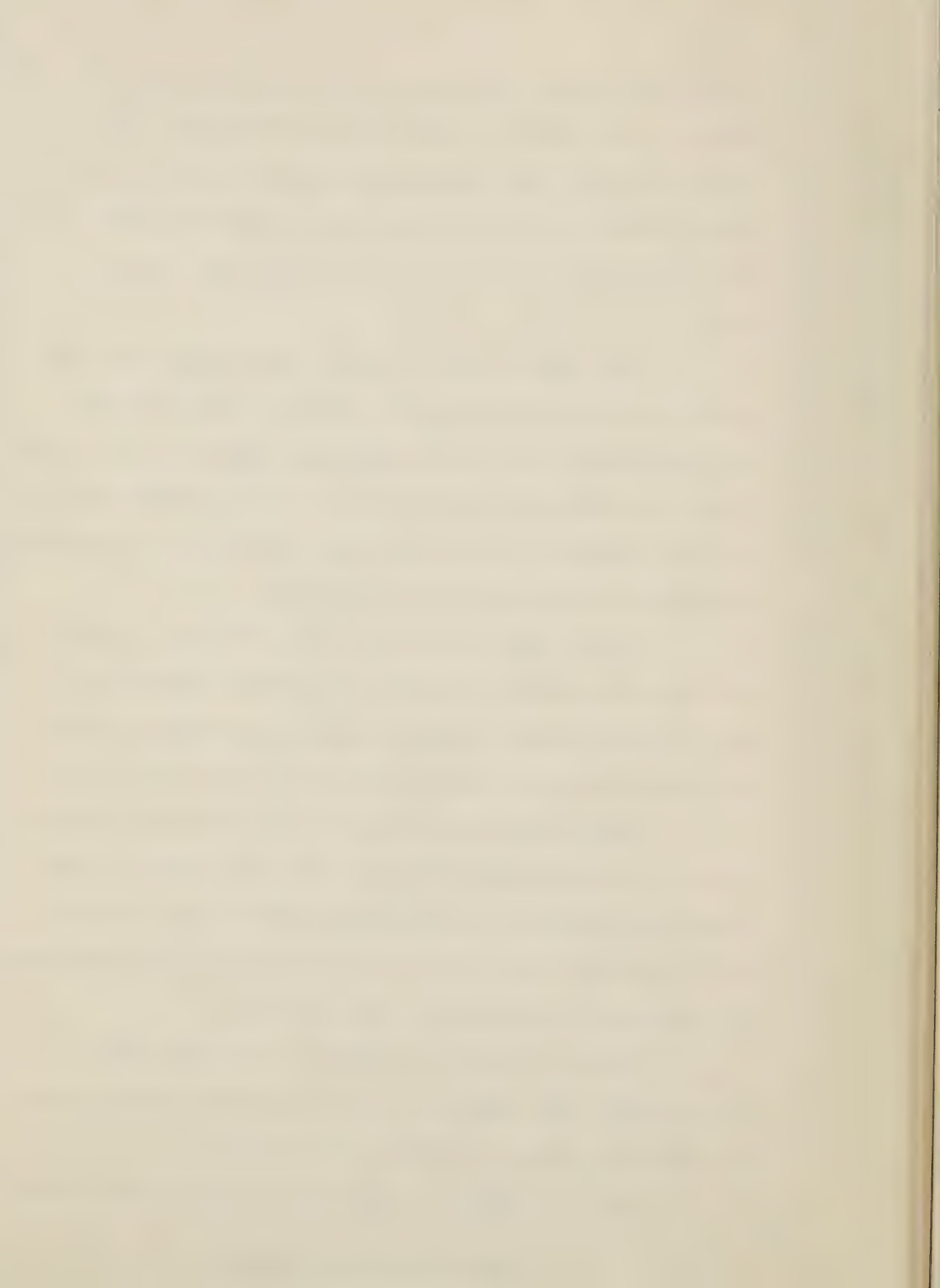
7 Your Department will spend \$100 million this year
8 on nutrition information for the public. Since these are
9 our tax dollars, the American National CowBelles feel we have
10 a right to demand that they be used in the promotion of only
11 truthful, scientifically proven fact rather than in misleading
12 implications detrimental to our industry.

13 In the face of every-mounting inflation, estate
14 and inheritance taxes, increased Government regulations
15 and the host of other problems plaguing our industry today,
16 many may question our concern over the issue of nutrition.

17 Your aggressive disregard for a cautious approach
18 to such a complex subject forces us to look further. Let
19 there be no mistake: the American National CowBelles feel
20 that a national food policy as such will be but the beginning
21 of a national agriculture or land use policy.

22 While we certainly endorse a wise and prudent
23 diet, we feel the Government's position should be only that
24 of supplying unbiased material and research.

25 We are opposed to regulated and legislated efforts



1 in the matter of our diet just as we are opposed to it in
2 our private lives.

3 I would be remiss if I did not mention several
4 other areas of concern to members of our organization. If
5 you are truly concerned as to the survival of the family
6 farm, great attention needs to be directed toward the
7 revamping of the estate tax and inheritance tax laws.

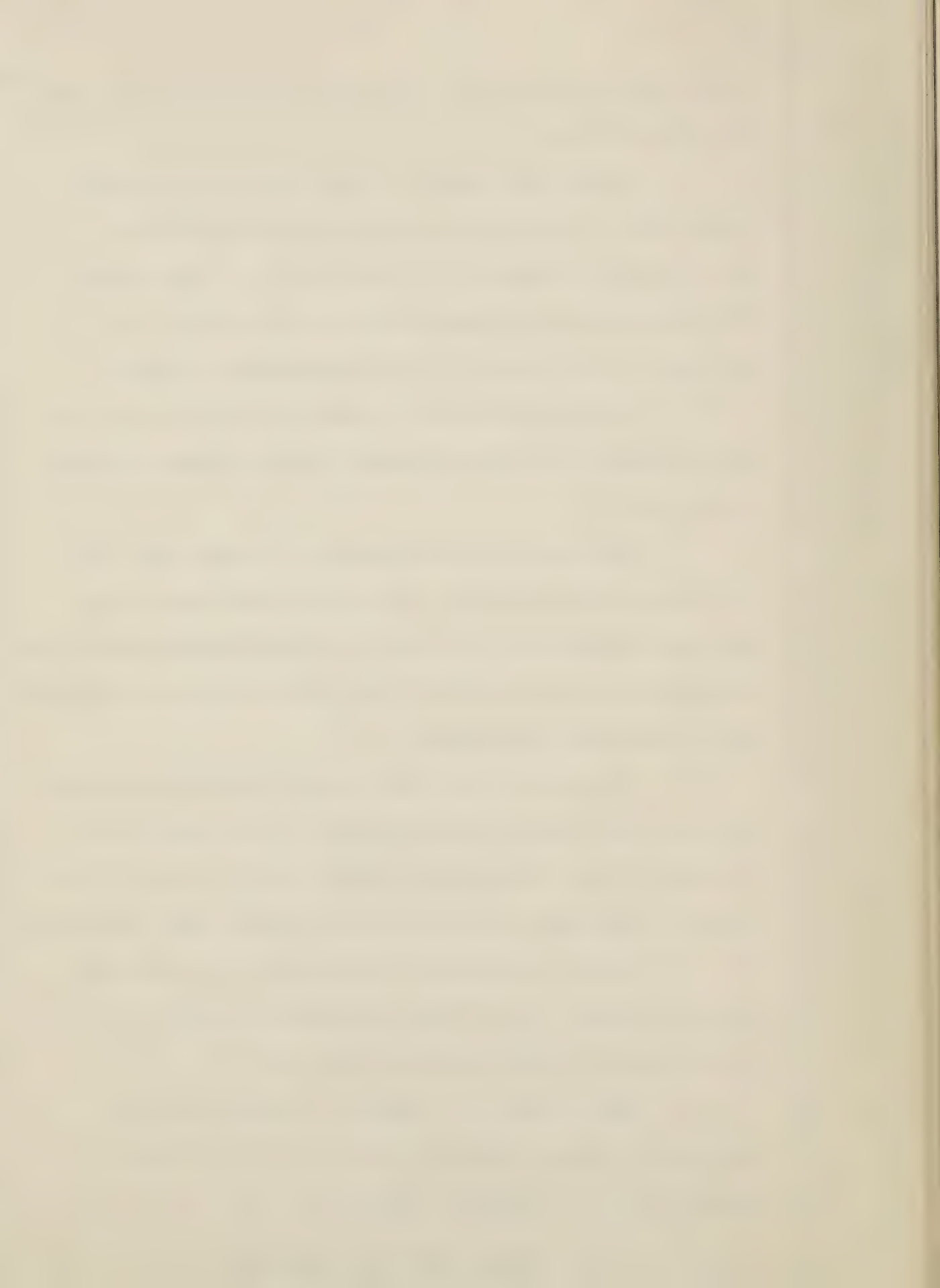
8 Among other things, we feel there should be tax-
9 free transfers of property between spouses during lifetime
10 or at death.

11 We also believe provisions of Senate Bill 1984
12 to eliminate the \$500,000 limitation is most essential.
13 The American National CowBelles are also concerned about the
14 information being received by the American public as regards
15 their total meat consumption.

16 We consider your USDA figures misleading because
17 they are based on the carcass weight of the animal when,
18 in fact, we feel the actual, cooked, edible portion of meat
19 should be the basis for deriving per capita meat consumption.

20 Actual records show we consume 2.77 ounces per
21 day per capital. Your "Food" publication recommends two to
22 three ounces of lean cooked meat per day.

23 When we eat 2.77 ounces, we wonder why you
24 continue to say eat less red meat as per the "Consumer
25 Buying Alert" I previously mentioned.



1 A third matter of great concern to us is the
2 proposed Resource Conservation Act of 1977. We feel a
3 sensible review of those programs will result in a program
4 of voluntary participation.

5 A last recommendation by the American National
6 CowBelles would be that of transferring the program of
7 predator control from the Department of the Interior to the
8 Department of Agriculture.

9 We feel that under the Department of the Interior
10 the intent is not being satisfied. We feel the predator
11 control program should not be destroyed.

12 Consequently, we feel it should be transferred to
13 the USDA, where we feel it rightly belongs.

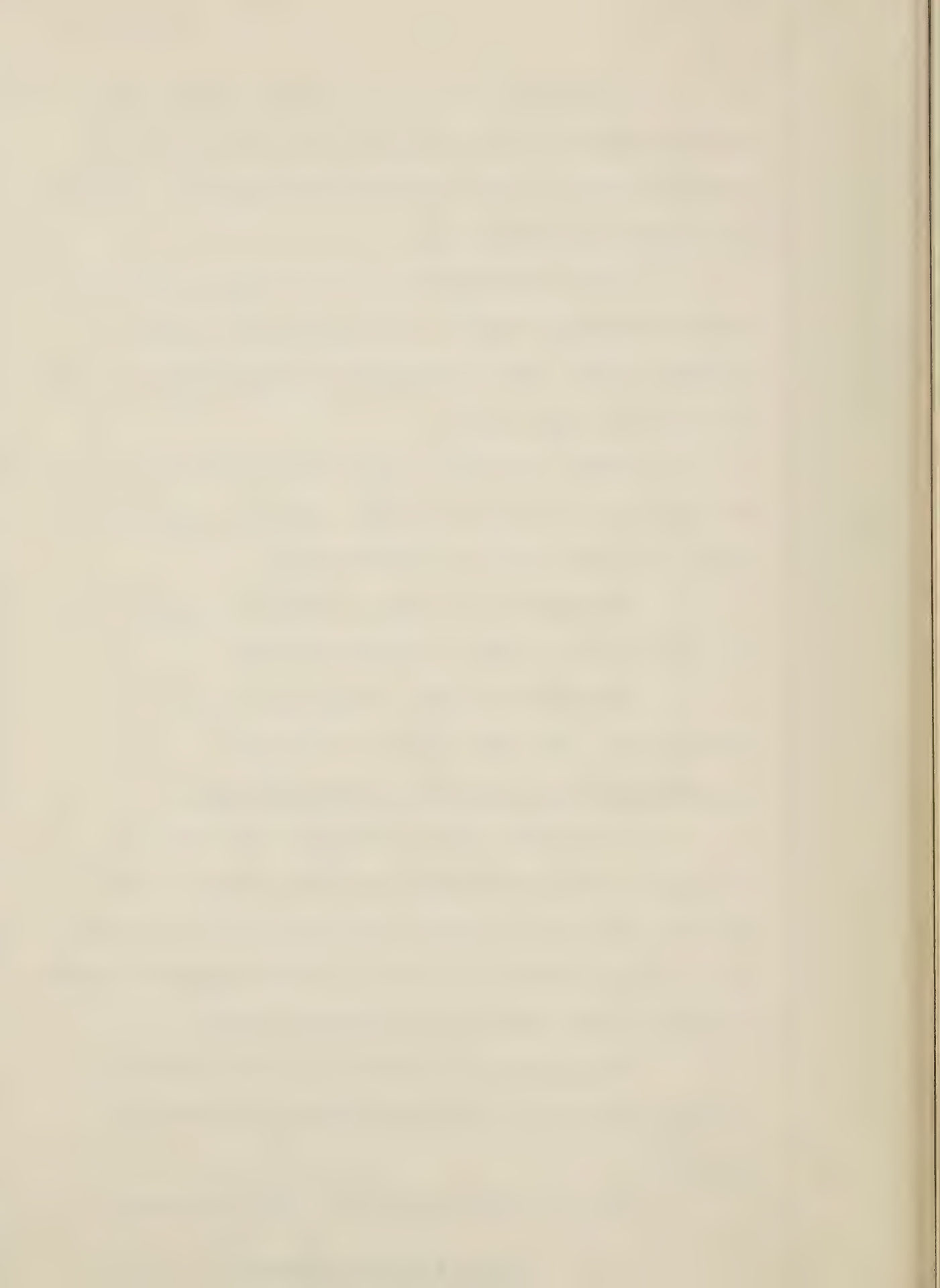
14 SECRETARY BERGLAND: Thank you very much,
15 Ms. Townsend. Our next is Dr. Otto Doering.

16 STATEMENT OF OTTO C. DOERING, PURDUE UNIVERSITY

17 I have been asked to address the impact of
18 energy policies and shortages on farm structure, and I
19 will start by saying I expect relatively modest changes in
20 overall farm structure that will be attributable to changes
21 in energy prices over the next several decades.

22 This assumes that there will not be severe or
23 prlonged shortages in supplies caused by oil embargos,
24 et cetera.

25 Such shortages would bring much more severe



1 adjustments. First, in terms of perspective; roughly 17
2 or 18 percent of the nation's energy consumption is in the
3 food system.

4 Only three percent of this is on the farm itself,
5 yet it is here at the farm level that we intend to focus
6 our interest.

7 We use energy on the farm basically in three
8 areas;

9 First, to replace human and animal labor in farm
10 operations.

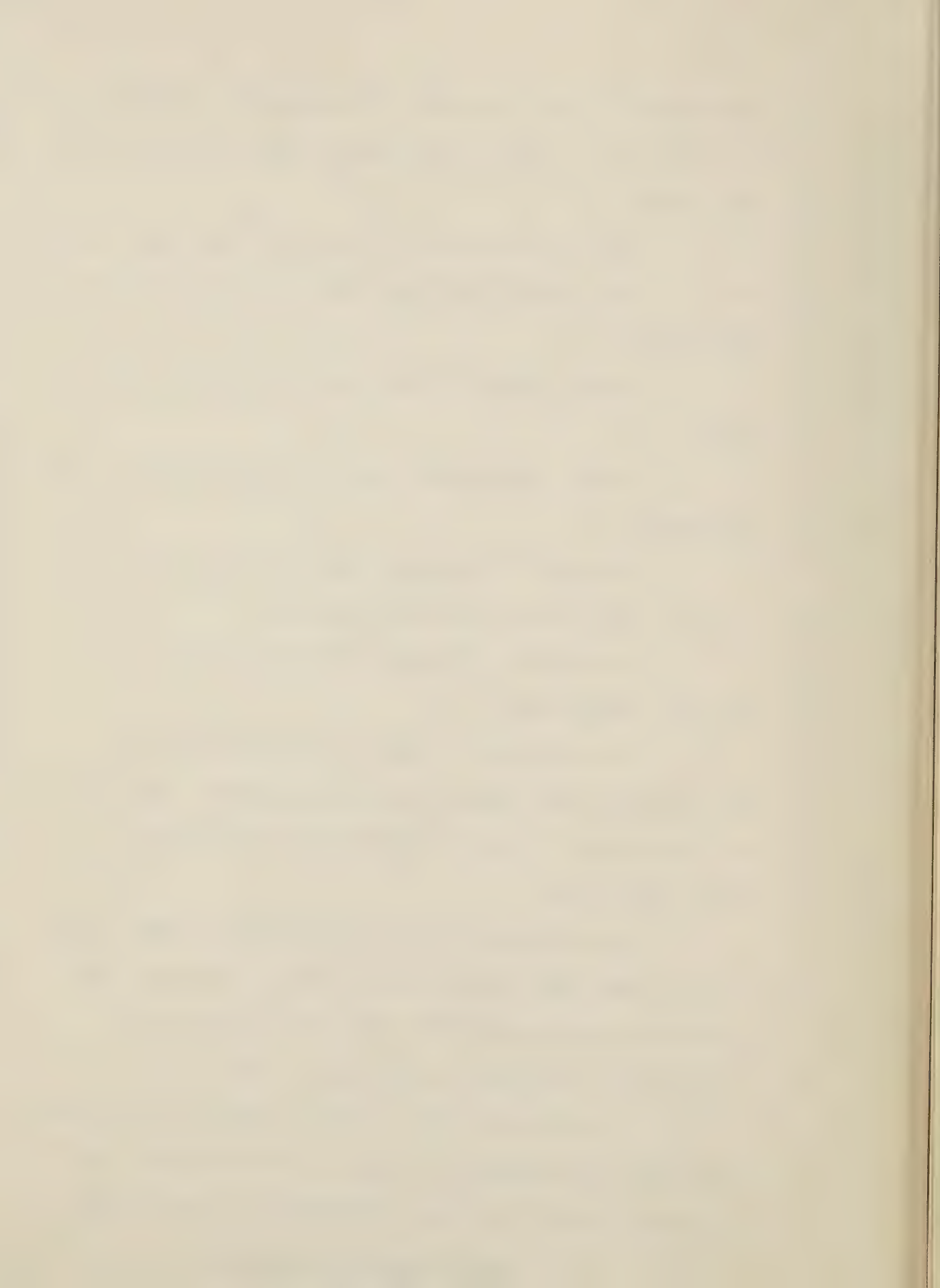
11 Secondly, to increase food production per unit
12 of land energy input, such as fertilizer.

13 And third, to reduce the risk of failure or
14 spoilage through such.

15 You are going to look at energy impact on
16 agriculture, and it might affect structure. At least at
17 the farm level, it would involve one of these three
18 vital operations.

19 Let me start by talking about some areas where
20 I do not see much future change. First, even with high
21 energy prices we do not see human and animal labor
22 substituting for energy in farm operations.

23 There is not only a direct energy cost relation-
24 ship here; we recognize in former times something like
25 20 percent of our land base was devoted to feeding and



1 caring of these animals. We would see it, in a sense,
2 maintaining it.

3 In terms of use of nitrogen fertilizers, this
4 is one of our biggest energy inputs and about one-half of
5 the total energy input into corn production.

6 We believe that natural gas availability and
7 prices will be relatively favorable enough over the next two
8 decades so that chemical nitrogen will remain economic to
9 use as the major nitrogen source.

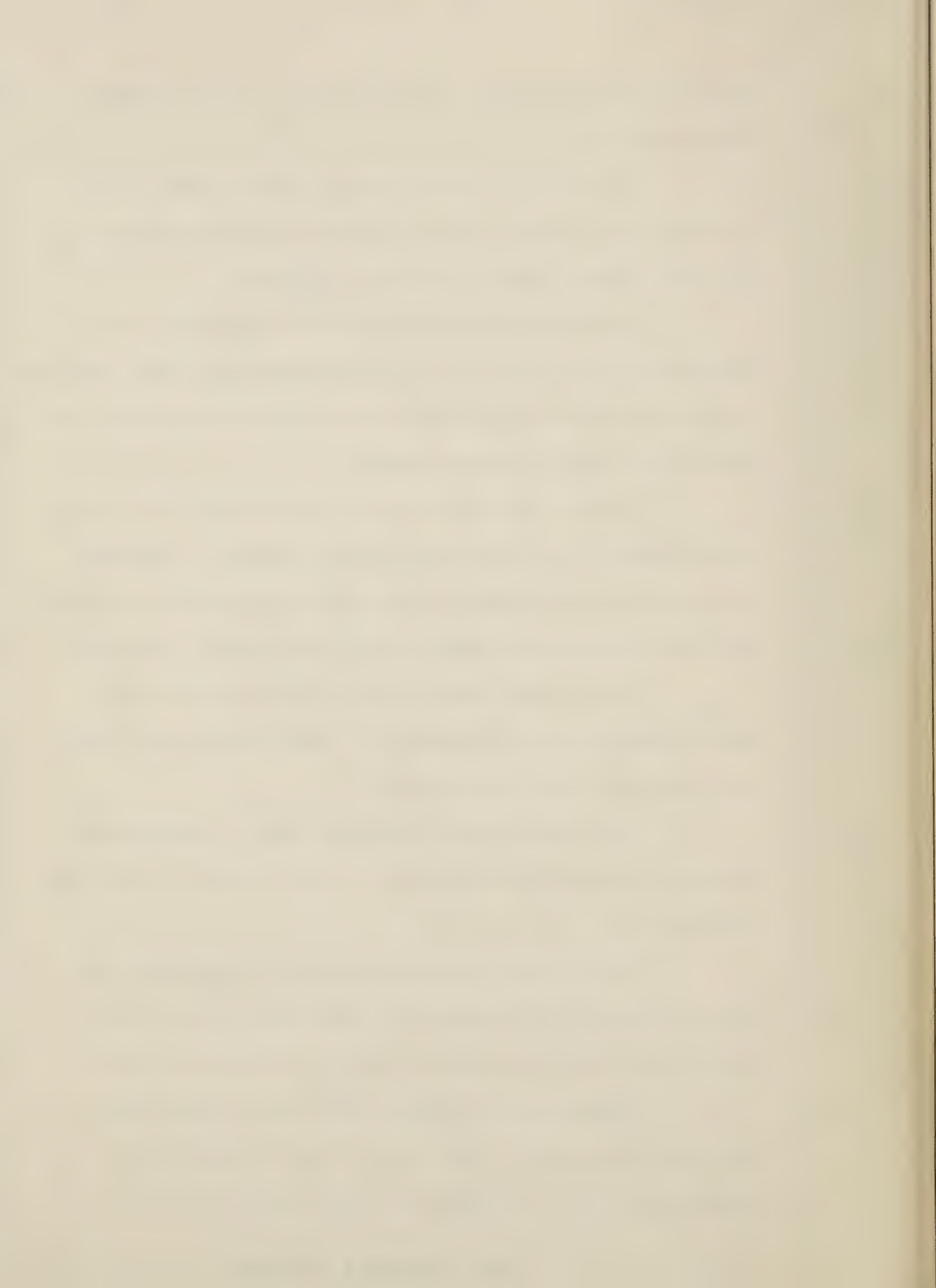
10 By the time the crop is raised, there is a very
11 strong incentive to be sure it does not spoil, and here
12 again we see procedures such as grain drying not changing
13 very much unless the alternatives have equally low risk.

14 Such things like natural air drying are more
15 costly today just on the basis of field losses, let alone
16 the additional risk of spoilage.

17 The question is frequently asked whether small
18 farms are more energy efficient. This is one we can't give
19 an answer on.

20 Small farms tend to have high value crops, so
21 our statistics on an aggregate level will tell us that
22 small farms are more energy intensive than large farms.

23 There are some areas where we do expect some
24 very serious things. The first of these would be in
25 irrigation and in the location of production.



1 I expect basically, then, half of the irrigation
2 we see today will probably be eliminated in the next 15 to
3 20 years.

4 What I am saying is that a small number of
5 farmers will face extreme adjustments as they watch the
6 potential of income from their land and the value fall
7 sharply.

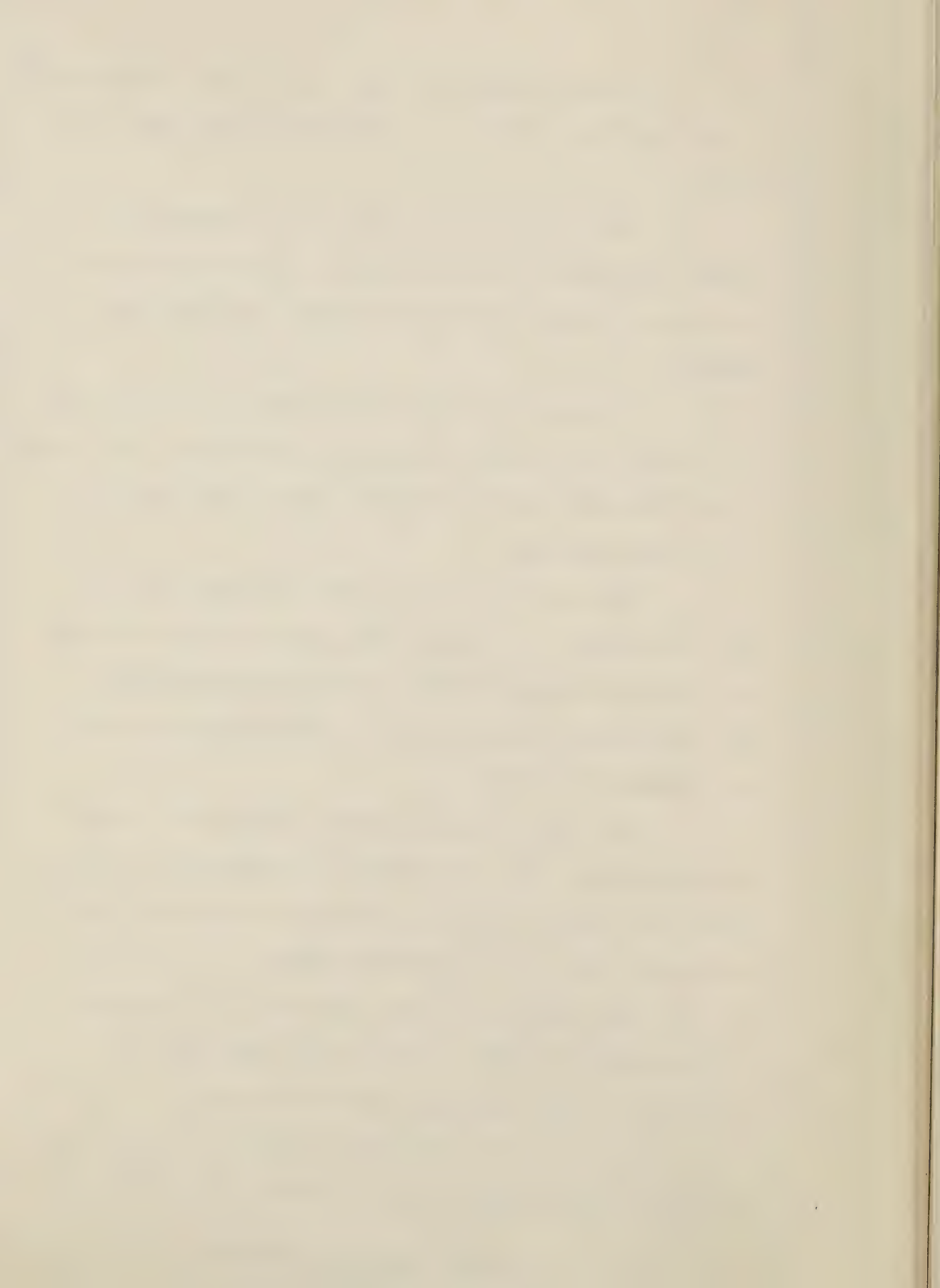
8 In terms of shifts in location, we are now seeing
9 a situation, for example, in Kentucky where it is now economic
10 to feed Kentucky corn to Kentucky calves rather than ship
11 it to Texas feedlots.

12 This is largely as a result of transportation
13 cost increases. We expect this kind of shift to change
14 the location of our agricultural activities and reduce
15 the geographical concentration of specialized processing
16 and growing activities.

17 But this will be a gradual process over time--
18 much less abrupt than the shifts in irrigation. We also
19 think that many of the energy changes on the farm will be
20 dictated by the rest of the food system.

21 What goes on in that additional 14-15 percent
22 of the system is really going to kick back onto the
23 farm and determine the practices on the farm.

24 In that sense, the dog will wag its tail. There
25 are some special areas of policy concern. The first one



1 is land use.

2 Our best land, particularly that that has
3 adequate rainfall, is our most productive land for each
4 unit of energy we provide.

5 We feel it is imperative to maintain for agriculture
6 all the fertile land that is available having adequate rain-
7 fall because marginal land substitution, bringing in
8 irrigation, will become prohibitively expensive in energy
9 terms.

10 Another concern is the role of information. And
11 I think it is our belief that systematically organized
12 information will be the key to energy savings and will have
13 the built-in flexibility to adjust to different crops,
14 resources and regions, through such things as integrated
15 pest management.

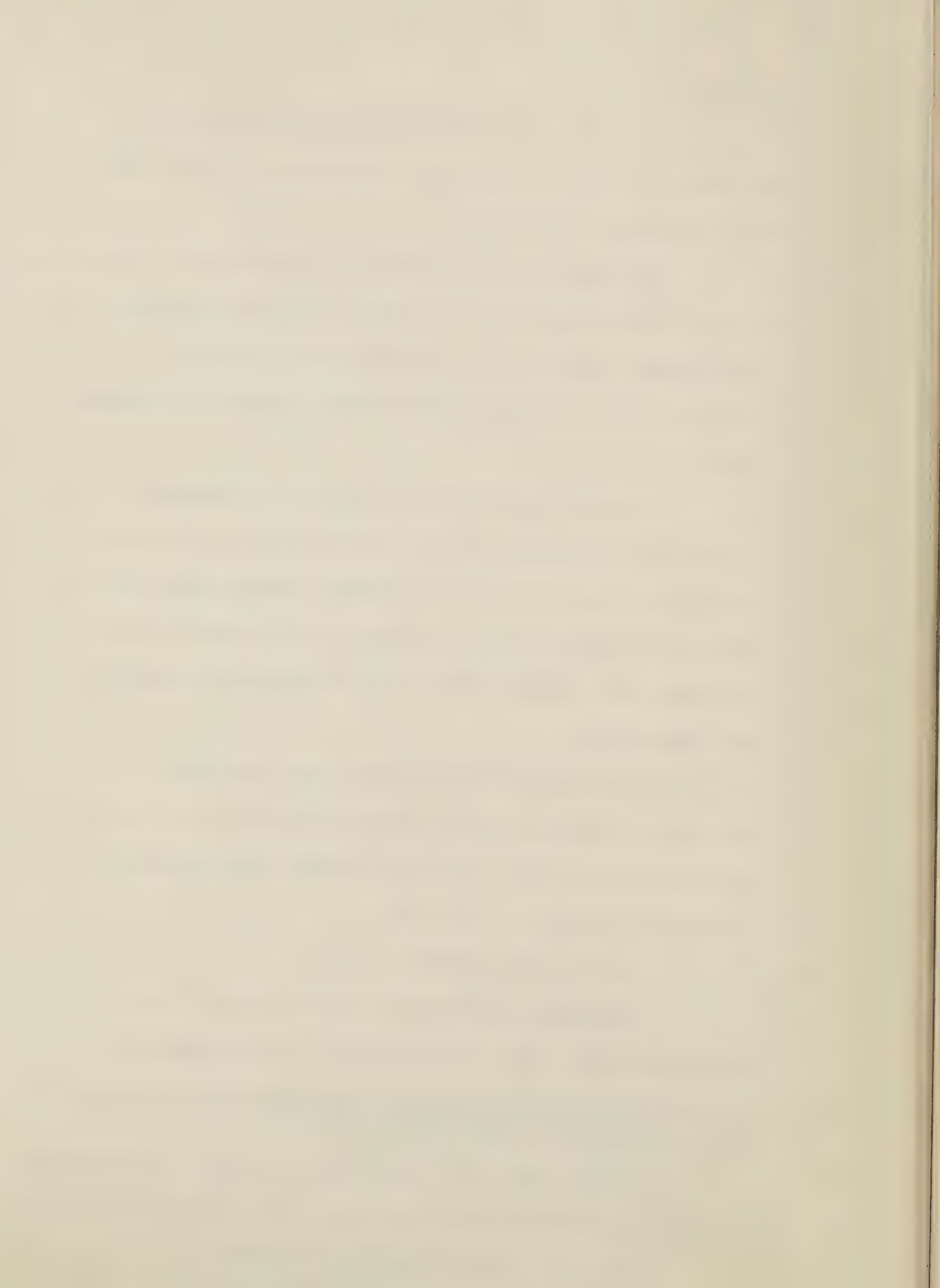
16 My concern there is that the development of
17 information systems, their benefits are often not capturable
18 by the private sector and this reduces the private sector
19 incentive to work in this area.

20 Let me stop there.

21 SECRETARY BERGLAND: Thank you very much,
22 Doctor Doering. And our next is Mr. Lewis Norwood.

23 STATEMENT OF LEWIS F. NORWOOD, NATIONAL ASSOCIATION OF
24 RETAIL GROCERS OF THE UNITED STATES

25 Thank you, Mr. Secretary, Mr. Penn. In reviewing
the topic assigned--Agriculture and the Economy--it is very



1 easy for me to list problem areas that are of concern to
2 my organization--NARGUS, the National Association of Retail
3 Grocers of the United States.

4 Our 40,000 direct and affiliated owner/operators
5 of retail food stores are concerned, they are very concerned,
6 about the policies and procedures of the present Adminis-
7 tration and the various Departments and Regulatory Groups
8 of the Government.

9 A few years back it was often stated that if
10 food retailers had the right location they had the problem
11 licked, but that is not true today; with the right location,
12 the food retailer has many, many problems, many of which he
13 has no control over.

14 Let me list a few: high taxes and interest rates
15 that makes it difficult to finance new technology, such as
16 scanning and computers, as well as remodeling their stores
17 and equipping them with the types of equipment that can save
18 energy as well as improve productivity.

19 What has happened to that word "productivity"?
20 Why aren't we getting more emphasis on that today?
21 Government mandated increases in wages, social security,
22 workmen compensation, plus numerous other regulations and
23 red tape that add to the cost of doing business must be
24 passed on to the consumer or taken from the retailer's
25 earnings.

1 The food retailer is especially concerned about
2 wage and price controls and the possibility that another
3 group of Government people will be telling them how to run
4 their business.

5 Next are Government subsidized competitors, such as
6 the newly formed consumer cooperative bank, farmers markets,
7 and military commissaries.

8 All are looked upon as unfair competition for the
9 locally owned and operated food store. Energy cost and
10 its availability is also a great concern of the independent
11 retailer.

12 They have seen their costs rise dramatically until
13 their utility expenses are now greater than their occupancy
14 cost and they see no national leadership that gives them much
15 encouragement for the future.

16 Enough of the problem. Let's take a look at what
17 can be done to resolve the conflicts and make a positive
18 contribution to the better ag system we all want.

19 First, there is a need for the leaders in the
20 nation and especially those in administration, and that
21 includes Agriculture, to define what is the purpose of the
22 agricultural industry and especially what is the food segment's
23 mission.

24 Is it to provide jobs for farm workers? Is it to
25 help those who own family farms to maintain a way of life?

1 Is it to keep our adversaries in the world in line?

2 Is it to educate consumers about better nutrition?

3 Is it to eliminate all risks of illness and disease? What
4 is the mission of the Department of Agriculture?

5 For a while we thought it was to provide an
6 adequate supply of wholesome food as well as to American
7 consumers at reasonable prices.

8 If this today is our mission, I feel that our
9 present system, if allowed to operate and to improve, can
10 do the job and contribute to this mission.

11 In fact, we now have some dramatic changes taking
12 place in our industry with many of our members in the lead
13 role.

14 Some of these are: super-convenience stores for
15 serving neighborhood food needs where customers can walk to
16 the stores; limited assortment and warehouse food and other
17 "no frill" type stores for passing cost savings on to
18 consumers that want the most food and nutrition for the
19 dollar spent,

20 Also, we have stores featuring more generic brands,
21 also offering savings. Developments in sacanning and
22 computers will also provide savings at the checkout as well
23 as contributing to a more efficient system.

24 Wholesalers and other suppliers are making moves
25 to control inventory and more closely relate customer wants

1 to products available on retail shelves and to consolidate²⁷
2 loads and utilize trucks more efficiently.

3 Yes, I believe the producers, manufacturers,
4 distributors and other marketers can do their job, if the
5 USDA and other Government groups, administrative and
6 legislative, will provide the economic and regulatory
7 climate for getting this job done.

8 Thank you, Mr. Secretary.

9 SECRETARY BERGLAND: Thank you very much,
10 Mr. Norwood. Now our last panelist is Dr. William Stephens.

11 STATEMENT OF WILLIAM PL STEPHENS, Ph.D, SECRETARY, NEW MEXICO
12 DEPARTMENT OF AGRICULTURE ON BEHALF OF THE NATIONAL
ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

13 Thank you, Mr. Secretary. I am William Stephens.
14 I am the Secretary of Agriculture for the State of New Mexico,
15 but I here today as President of the National Association
16 of State Departments of Agriculture.

17 We have submitted a formal paper, so this morning
18 I would like to summarize our regulations. We recommend a
19 review of all farm loan and direct payment programs in USDA
20 to determine where loan and payment ceilings are needed.

21 We further recommend amending the U. S. Tax Code
22 to lessen the burden of estate gift, inheritance, and capital
23 gains taxes on family farmers and ranchers.

24 We oppose any Federal effort to regulate farm size
25 or prohibit corporate farming, Economic and market forces,

1 rather than Government, should determine the size and
2 structure of farms and ranches.

3 There are other steps that Government might take
4 to help create a healthier economic environment favorable to
5 the survival of the family farm system.

6 The most important step, in my opinion, is to
7 bring inflation and high interest rates under control. We
8 recommend that credit resources of the Farmers Home
9 Administration, whose farmer programs have been declining as
10 a percentage of FmHA's total loan portfolio.

11 We recommend this be targeted on family farmers
12 and ranchers. We also recommend prompt passage of the
13 Farm Credit Act Amendments to Senate Bill 1465 and H.R. 4782.

14 The Federal Government must continue to work
15 aggressively toward a liberalized trade system and a reduction
16 of tariff and non-tariff trade barriers.

17 The successful conclusion of the Tokyo Round of
18 the Multilateral Trade Negotiations last year should be
19 followed up with new efforts to expand opportunities for U. S.
20 farm exports,

21 Mr. Secretary, the Rural Transportation Advisory
22 Task Force's final report identifies problems and recommends
23 possible remedies that merit the prompt and careful consi-
24 deration of Congress and the Administration.

25 Farmers and ranchers must also be given access to the

1 fuel they need. USDA must continue to work closely with the²⁹
2 Federal Energy Regulatory Commission and the U. S. Department
3 of Energy to assure that in the event of a future fuel
4 shortage, agriculture is assigned an appropriate use priority.

5 Agriculture must be accorded greater consideration
6 in the Federal land use planning process, especially in the
7 western states where the Federal Government controls vast
8 tracts of land with water, grazing land and other resources
9 essential to agriculture and where we have the intermingled
10 ownership.

11 Finally, the Federal Government must become more
12 aware of the great diversity of American agriculture in
13 different parts of our country and allow sufficient flexi-
14 bility to accommodate the special conditions and needs within
15 different regions.

16 On behalf of the National Association for State
17 Departments of Agriculture, I thank you for this opportunity
18 to present our views today.

19 SECRETARY BERGLAND; Thank you very much,
20 Mr. Stephens. Ladies and gentlemen, I want to thank you
21 all for abbreviating your remarks and observing the time
22 constraints.

23 For those of you who are back in the audience and
24 see this lady and gentleman up here, they are the enforcers.
25 They have cards that say the time remaining, and they are

1 flashed from time to time.

2 When five minutes expire, they put up a sign that
3 says time is up. So you know what their function is. We
4 are going with this group until 10:20.

5 Dr. Penn and I have questions that we would like
6 to direct to each of you. I have one each for openers to
7 you, and then we will just make the rounds from there.

8 Ms. Haas, what do you think is the proper
9 Government role in providing consumers with a continuing
10 supply of high quality foods at the lowest possible cost?

11 There has been a constant debate about where our
12 role should be in all this--what do you think, keeping in
13 mind now that the farmer gets one-third of the consumer
14 dollar and two-thirds of the retail cost is incurred after
15 it leaves the farm.

16 MS. HAAS: That has always been our concern, that
17 60-40 factor. I think that it is a diversified role. I
18 think that there are certain times that the Government has
19 to be there to encourage full supply.

20 I think programs such as target prices and loan
21 programs are an appropriate use of Government intervention.
22 I think also assuring consumers of a safe food supply again
23 are appropriate uses of strong government involvement in
24 order to assure a wholesome food supply.

25 The area that I have a question about is the area

1 of economic regulation. For example, milk marketing audit
2 regulation--some regulations like reconstituted milk where
3 consumers are paying higher than necessary food prices.

4 That is the area that I believe we need to take
5 a look at and to reevaluate in terms of inflation and the
6 cost to the farmers and consumers.

7 So to answer your question, I think it is a mixed
8 role. I think it is one that has to be carefully examined
9 every 10 years or so in the context of today's needs and
10 the growth of technology.

11 Certainly we would all like to see government,
12 but sometimes the Government's role is very important, and
13 I think it is in assuring that supply and assuring that
14 food supply is safe.

15 SECRETARY BERGLAND: Mr. Norwood has mentioned
16 there are 40,000 enterprises engaged in the retailing of
17 food across the United States, and you have raised concern
18 about -- you didn't quite say monopolistic tendencies,
19 but concentration.

20 MS. HAAS: Yes.

21 SECRETARY BERGLAND: We tend to think that the
22 competitive forces in the marketplace will sort out many
23 things that can only be sorted in the marketplace, and
24 there are instances in which, as we know, the efficiencies
25 and economies of scale which larger chain structures have

1 enjoyed and, as a consequence, changed the whole scene in
2 food retailing.

3 I mean, the corner grocery store that my mother and
4 dad used to patronize is long gone. Do you worry about
5 this?

6 MS. HAAS: I worry about this tremendously. And
7 I think Lew Norwood knows that, too.

8 SECRETARY BERGLAND: Why do you worry about that?

9 MS. HAAS: It is question of access of food for
10 consumers, particularly in the inner city and rural areas,
11 too, where consumers are forced to pay more than they need
12 to because they have to either take a bus and go to the
13 suburbs or they have to go to that mom and pop store who
14 doesn't have the diversity, doesn't have the generic
15 brands. They are forced to pay more.

16 I think this is a program of problems that is
17 tremendously serious. The competition problem is one that
18 is regional.

19 We have thousands and thousands of supermarkets
20 across the country, but in Washington, D. C., two chains
21 control 63 percent of the market.

22 There have been some significant studies, most
23 importantly the one done for the Joint Economic Committee
24 in 1977 that said that the cost to the consumer in an
25 overcharge because of this regional concentration is somewhere

1 around \$662 million a year.

2 Now that is where that problem is. It is not one
3 that you can talk about as an aggregate across the whole
4 United States; you have to pinpoint those cities where
5 there has been an exodus of supermarkets and those regions
6 where there is a concentrated market.

7 SECRETARY BERGLAND: Do you think Government has
8 a role to play in this?

9 MS. HAAS: Yes, Whether it is the Department of
10 Agriculture, I am not so sure. I think this becomes, then,
11 an anti-trust problem, but the Department of Agriculture
12 has a role in analyzing policy and making recommendations.

13 ESCS, for example, needs to commit more time to
14 marketing and the problems of competition in food marketing
15 and distribution, to make recommendations.

16 Whether it has a role to set up new stores, I am
17 not sure. But we have a tremendous research service here
18 in the Department. They can do a lot of innovative research
19 and alternatives on ways to bring food markets back into
20 the inner city.

21 SECRETARY BERGLAND: There has been parts of the
22 city that have been abandoned for economic reasons.

23 MS. HAAS: Right,

24 SECRETARY BERGLAND: And you are suggesting
25 somehow that Government has a role to play in trying to

1 reestablish an outlet in those regions that cannot be
2 serviced economically.

3 MS. HAAS: Yes. There is a definite role. Again,
4 I am not so sure it is the Department of Agriculture's role,
5 but the Department of Agriculture's research service has
6 a role in studying tax incentives, in studying land problems,
7 in studying ways that can bring back the supermarkets to
8 the inner city, of finding new ways of distributing food
9 to the inner city mobile markets.

10 Some of the ideas have begun, but they have not
11 been expanded upon, and I think that is an appropriate role,
12 to act as a prod to raise the awareness, as you are doing
13 about the structure of agriculture, about the structure of
14 inner city food marketing would be an appropriate role
15 because the Department serves as an integration and education
16 catalyst.

17 I know CNI sponsored a conference, and since then
18 we have seen several good experiments of a joint venture
19 between a supermarket and community organization.

20 But when you have that kind of situation, you have
21 to give it encouragement and multiply it to other cities
22 in the country so they learn lessons, too.

23 SECRETARY BERGLAND: Thank you very much.
24 Ms. Townsend, I have great confidence in the market
25 economy.

1 I have traveled in many parts of the world, and
2 I have been in socialist countries where decisions are all
3 made by the state, and generally our system, while it has
4 its weaknesses and faults, is much more responsive and much
5 more lively and, in my judgment, much more effective.

6 It is my personal belief that the market economy
7 can best be served by providing information to buyers and
8 sellers so they can join in the marketplace and agree on a
9 price in terms of conditions.

10 You have to have a willing buyer in order to have
11 a willing seller. So we have very carefully but very
12 consciously redirected the efforts of USDA to become
13 interested and acquainted with and helpful to the 230 million
14 consumers in the United States who buy what you and your
15 colleagues produce and sell.

16 The question then is, what is the proper role.
17 You have criticized the Department's mission in providing
18 guidance in the area of nutrition.

19 We have 47 million persons served by programs
20 financed in part by the Department of Agriculture. What do
21 you think is our role?

22 We know there is a connection between how we
23 feel and what we eat, and we know there is a lot of food
24 wasted in schools, and we know that food stamp buyers
25 oftentimes waste their precious dollar.

1 Do you think -- what do you think is the proper 36
2 Government role in providing consumers with information? Do
3 you think it should just be "buyer beware"?

4 MS. TOWNSEND: I think the proper Government role
5 is to provide, as nearly as they are able, scientific
6 unbiased fact.

7 I do not believe that only one side of the story
8 should be told, and I think this is the picture that we
9 perceive is coming across to us as producers.

10 As mothers and community leaders, the CowBelles
11 certainly would advocate a prudent diet, and we would be
12 among the first to say that research should be done to
13 help provide the American public with information that would
14 help them choose a prudent diet.

15 But the message we are getting in the USDA
16 publications is what we feel is only one side of the story,
17 and we figure both sides of the story should be told.

18 SECRETARY BERGLAND: You doubt that information
19 is scientifically based?

20 MS. TOWNSEND: I doubt that the whole picture is
21 being told to the consumer.

22 SECRETARY BERGLAND: One of the frustrations which
23 I have endured -- and I have been in this business a
24 long time; not in this job very long, but I have been in
25 and around the business for almost 30 years.

1 My belief is that mostly Government food policy-
2 making is a collection of patchwork. A problem arises and
3 Congress moves to pass a law, patch it up.

4 And I am suggesting that is not good enough. But
5 we do indeed need to know where we are headed and that
6 instead of the Government being in the business of pedaling,
7 we ought to be in the business of educating.

8 I certainly agree with your assessment on the
9 need for sounder scientific evidence. That is clearly what
10 is lacking in many of our policies, in fact.

11 And, for budgetary reasons and others reasons,
12 the agricultural research budget has been declining. I am
13 not putting in a plug for it; I am simply suggesting that
14 you are on the right track.

15 Where do you think and what do you think we should
16 do with what we have learned once we find out precisely the
17 truth about cholesterol -- and I happen to be on a diet:
18 my doctor has told me what to do and I am not challenging
19 my doctor's assumption, but what do you think we should
20 do about this whole business of providing consumers with
21 information, keeping in mind there are perhaps 50 million
22 people in the United States who cannot afford to have a
23 medical examination?

24 MS. TOWNSEND: That is right. I do not feel that
25 we should be making dietary recommendations for the U. S.

1 population as a whole as pertains to controversial issues 38
2 such as total saturated fat and cholesterol consumption.

3 I think if these things are made in the context,
4 the other side of the story needs to be told. I would refer
5 not only to the publications that are put out, but once the
6 publications are out, then we have regulations that are
7 used to enact these publications, their suggestions.

8 And I am referring here to the different programs,
9 such as the child day care programs, the implementation
10 of the school lunch programs, and it seems at this point
11 there is a bias for this theory that we feel is unproven
12 and we feel it is controversial enough: when something is
13 repeated often enough, the public begins to accept it.

14 For instance, we find no beef on the Whip Program,
15 and in examining their drafts, I was told that was because
16 it was too expensive.

17 But when you look at the cost of cheese, why
18 beef is very competitive with that, and I think because the
19 Whip Program is basically aimed at a nutritional deficiency
20 in the diet of the people it is trying to serve, then the
21 nutritional value should be looked at and cheddar cheese,
22 which is quite often used as a main dish substitute, is
23 higher in fat than lean hamburger.

24 It is a little lower in protein. It is lower in
25 iron, thiamine and niacin. Well, if it is lower in iron --

1 and iron is one of the biggest problems on a wide scale
2 of nutritional level today in our nation and meat is one
3 of the best sources of iron -- we fail to follow the
4 reasoning of the Department.

5 SECRETARY BERGLAND: I am not going to try to
6 explain it because I don't understand it either, but I
7 think it underscores your basic point that these matters
8 are sometimes hot at because there is doubt that they are
9 scientifically based. Ms. Haas.

10 MS. HAAS: Can I have a 30-second -- what you
11 just brought up. Economic considerations up to now with the
12 considerations in the purchasing, what you showed is if
13 you bring in the health consideration -- you might have
14 to -- one thing--the Department didn't act just slightly;
15 instead, there has been a long line of scientific consensus,
16 as demonstrated by the Surgeon General's Report and the
17 American Society for Clinical Nutrition.

18 And it must be very clearly stated that the
19 Department didn't say eat less beef; it talked about too
20 much fat in the diet, and I think that is where there is
21 a lot of misunderstanding, and that is where we need to go
22 into increasing awareness.

23 SECRETARY BERGLAND: I really didn't want to bring
24 in any editorial commentary here.

25 MR. NORWOOD: I want to know what the rules are

1 because I need about 15 minutes.

2 SECRETARY BERGLAND: Fine. We will move on to
3 Dr. Doering. And this is a fascinating subject, but it is
4 something we clearly need to get a grasp on, and I am being
5 chased hard by some persons who don't think Government has
6 any business getting into the question of nutritional values.

7 And we think it does, but it is a matter then of
8 going at it in the proper way. Dr. Doering, what do you
9 think is likely to happen and what do you think Government
10 should do about the impact of the rising fuel costs on the
11 processing and transportation of perishables?

12 There are persons who told me they doubt very
13 much that they can afford to transport fresh vegetables
14 from California to New York. Do you think that is true and,
15 if so, what do you think will happen or what should be
16 done?

17 MR. DOERING: I am not sure that Governemnt can
18 play a role. Some of the things you referred to, for
19 example, the transportation of lettuce from California,
20 where most of our lettuce is grown, the energy cost is
21 terribly high.

22 We used to be able to ship some of these by
23 rail and, of course, with the recent truck strike the
24 rail system was able to get some of this back.

25 Recognizing back in the 1920's the rail service

1 in this country could guarantee 3-1/2 to four days delivery
2 of iced lettuce from California to New York.

3 You are now talking, the industry tells me, of
4 a period from 10-day minimum to possibly three weeks, if
5 the car gets lost, and iced lettuce doesn't look like much
6 after three weeks.

7 So I think part of the thing is we are going to
8 see some readjustments in the way we can transport these
9 commodities.

10 I think the rail system, hopefully, will be able
11 to compete with the trucks in terms of this needy transport,
12 and on an energy basis we can go the rail route.

13 I am not sure this is something the Government
14 can mandate. And if Government does try to mandate it, then
15 we might end up transporting perishables which maybe should
16 drop out of the New York market.

17 I think we are going to see more regional growing
18 of the fresh vegetables. Our problem here is a land use
19 problem, and you know as well as I do the truck farms in
20 Suffolk County and the New Jersey tomato is extinct, the
21 Indiana tomato is almost extinct, and we are talking about
22 Mexican and California tomatoes taking --

23 I think my bias is I would like to see different
24 energy intensive transportation systems fight it out for
25 that business, and I think we would come to an adjustment in

1 time.

2 SECRETARY BERGLAND: I think that is precisely
3 what will happen in time, too. The question is, what does
4 it all mean finally?

5 If New York has to drop out of the lettuce market,
6 something is going to take its place, my guess is. Then
7 the question is, what is our role in all this, if any: is
8 this something we leave strictly to the marketplace?

9 DR. DOERING: I think when you are talking about
10 the substitution of food commodities, then you are talking
11 about a situation where one commodity becomes much more
12 expensive because of the transportation differential.

13 One alternative you might suggest is that the
14 Government should subsidize this transportation differential.
15 I think that would be a mistake. I do think we have some
16 viable substitutes.

17 We may see a variety of fresh produce available
18 in the New York and Washington market go down, but I think
19 that is part of the energy dilemma cost we are just going
20 to have to pay.

21 I don't see a role in keeping these things in
22 the market.

23 SECRETARY BERGLAND: Do you think if the Washington-
24 New York market goes down, production of those vegetables
25 will go up in this region?

1 DR. DOERING: Probably not very much because of
2 sunk land cost in terms of bringing this in. But what I
3 think you will see is more canned food on the shelves.

4 We will see some balance in the frozen food. The
5 energy cost of keeping food frozen is a very high proportion
6 of the cost of this food.

7 I think we are going to see kinds of processing,
8 such as the little plastic packets, the pouches. We will
9 see things like this come in basically to replace some
10 of the fresh food.

11 SECRETARY BERGLAND: One last question: On the
12 irrigation matter, yours is a very gloomy report. What do
13 you think we should do about that, if anything?

14 You are predicting half of the irrigation systems
15 will go out of business.

16 DR. DOERING: And you have got some areas like
17 the Texas high plains where possibly something like 80 or
18 90 percent will go off, and I am sure you will be under
19 tremendous pressure from those farmers.

20 SECRETARY BERGLAND: We already are.

21 DR. DOERING: I know you are, and certainly when
22 your Deputy Secretary, Mr. White, recognizes this as well
23 very strongly.

24 SECRETARY BERGLAND: What do you think we should
25 do about it?

1 DR. DOERING: Let me tell you first what you
2 should not do. I think you should not subsidize the price
3 of energy for irrigation. I think this should not be done.

4 I think you are going to be in a position where
5 you are going to have to give some kind of individual relief
6 to these farmers.

7 I don't know what form this should take. I would
8 prefer, in terms of public programs, to give relief to those
9 farmers impacted rather than see total energy prices go
10 allow them to continue this.

11 SECRETARY BERGLAND: Do you think a new program
12 should be designed to help them out of the trap they are
13 in and get into something else?

14 DR. DOERING: You have a choice.

15 SECRETARY BERGLAND: For example, we know it
16 now costs one dollar a bushel more to grow corn in West
17 Texas than it does in Illinois and that disparity is
18 widening.

19 DR. DOERING: That is right.

20 SECRETARY BERGLAND: We do see how they are going
21 to make it out there, especially when the water table is
22 dropping every year. What do you think Government should
23 do about this?

24 DR. DOERING: You know as well as I do it would
25 be impossible to adopt a multi or regional cost production

1 figure to give people a different target or loan rates.

2 And I am not recommending this because if you
3 do it for Texas, you have to do it somewhere else. Your
4 only alternative would be to help them get out to some
5 extent or convert.

6 SECRETARY BERGLAND: About 10 percent of our crop
7 land that is irrigated produces about a fourth of our food,
8 most fo which is fruits and vegetables.

9 DR. DOERING: Your high value crops will hold, to
10 some extent, where you are first going to impact, like some
11 of your areas in the Texas high plains which are growing
12 wheat--some with mylo, a lot with corn.

13 High value crops will hold or consumers will not
14 pay the extra prices for those.

15 SECRETARY BERGLAND: Mr. Norwood, I presume a
16 big chunk of the food business is taken up by the rising
17 cost of energy you have referred to.

18 It is our belief that energy prices should be
19 arrived at in a competitive market. That means that there
20 is not likely to be much price reduction, at least not
21 soon.

22 What are the implications of this in your business
23 and what can be done, if anything, by Government? And I
24 am not talking about private business judgments; I am talking
25 about our role.

1 MR. NORWOOD: Well, when you talk about the
2 Government's role, I think the one thing that we are looking
3 for from Government right now is to come up with some
4 additional sources of energy.

5 We would also like some Government support in
6 terms of acting as a catalyst, in terms of how can we do
7 our job more efficiently.

8 A mention here was made of the pouches. We see
9 this as a tremendous opportunity to achieve that objective
10 you talk about of getting food at the reduced price or at
11 a price that is acceptable to consumers.

12 We see this opportunity. However, we also see
13 an opportunity for the industry to do something about this
14 in terms of equipment and construction.

15 Already we see there is adjustment being made
16 in the frozen food department in the type of equipment that
17 is being used.

18 They are changing the equipment. We also see in
19 the area of servicing stores some changes taking place
20 there.

21 I also feel, Mr. Secretary, at this point in time
22 if we can keep the consumer groups and some of the
23 Government groups out of the deal, we see the opportunity
24 for the marketing system working more efficiently than
25 ever before in terms of the consumers want being transferred

1 efficiently through the system to the producers.

2 We see that opportunity.

3 SECRETARY BERGLAND: You made mention of some
4 of the generic labeling that is going on, and I think that,
5 too, is an interesting new development, particularly for
6 those who cannot afford some of the well-advertised brands
7 and the convenience that goes on in many stores.

8 We have had truck gardeners from this locale
9 visit me. In a couple of our hearings, we had local truck
10 gardeners complaining about the fact that they couldn't
11 penetrate a local retail establishment and find an outlet
12 for their produce.

13 Is that a commonplace problem, do you think, or
14 do you regard it as a problem?

15 MR. NORWOOD: This has long been a problem. And
16 one of the big problems, of course, is that you have a
17 small truck gardener; he could not provide enough, and he
18 cannot provide enough of a certain standardized quality.

19 However, there are still independents that would
20 welcome truck gardeners to come in and talk to them because
21 they are able to merchandise these things on a store by
22 store basis and do a tremendously effective job in serving
23 their clientele.

24 SECRETARY BERGLAND: Is it quality control
25 primarily?

1 SECRETARY BERGLAND: It is both quality control
2 and the ability to provide the amount of quantity of products
3 that certain groups need.

4 In other words, they cannot go from store to
5 store because of their advertising merchandising policies.

6 SECRETARY BERGLAND: Do you think it would be
7 appropriate for the Government to explore the feasibility
8 of helping these truck gardeners as an industry to form
9 the necessary economic capacity to satisfy that demand?

10 MR. NORWOOD: If they efficiently do it. If
11 they cannot efficiently do it, I would say no, shift their
12 resources and talents into some other areas.

13 SECRETARY BERGLAND: Efficiency--that is a term
14 only John Penn and two or three others understand.

15 MR. NORWOOD: John Penn will understand what I
16 am talking about, so they can get an efficient return on
17 their investment.

18 If they cannot get an efficient return on the
19 resources they are putting into it without Government
20 coming up with some sort of a price structure for them,
21 then I would say, let's put the resource somewhere else.

22 SECRETARY BERGLAND: Dr. Doering has talked about
23 the rising cost of energy and what it does to perishables.
24 What do you think that will do to the efficiency of local
25 producers?

1 MR. NORWOOD: It is going to increase the efficiency
2 of some and decrease the efficiency of others. There are
3 going to be people going out of the business because of the
4 competitive disadvantage they will have.

5 SECRETARY BERGLAND: Finally, to you, Mr. Norwood,
6 you made reference to Government creating an appropriate
7 climate. What precisely do you think is the biggest
8 problem?

9 MR. NORWOOD: The biggest problem is get the
10 regulators off their back.

11 SECRETARY BERGLAND: What kind of regulators?

12 MR. NORWOOD: I am talking about all of those
13 that come into the store and try to tell them how to run
14 their stores more effectively.

15 The one thing they are most concerned about right
16 now, Secretary Bergland, is wage and price controls because
17 they go out and try to control individual prices and retail
18 food stores do not control individual prices.

19 SECRETARY BERGLAND: We agree: wage and price
20 controls are an unmitigated disaster. They have been tried
21 and don't work except in wartime where you have rationing
22 and all the other disciplines in place.

23 We are completely convinced that wage and price
24 controls would be a disaster because you have to have
25 rationing.

1 MR. NORWOOD: Can I make book that we won't have
2 it?

3 SECRETARY BERGLAND: Yes, sir, you can. The
4 marketplace does the rationing. The marketplace does the
5 rationing, and if you don't let price do the allocating,
6 you have got to have coupons, and I don't think anybody is
7 ready for that.

8 Now it is not recommended by anybody in authority
9 and it won't happen. But aside from that, what is the
10 next problem?

11 MR. NORWOOD: I would say the next problem is
12 this whole area of trying to establish that retailers do
13 business in certain areas.

14 There is a need for them to go into the inner
15 city, and when they get into the inner city they have to
16 charge higher prices.

17 I have a feeling there is going to be some force
18 kind of to push people in the inner city to provide lower
19 priced operations.

20 No need for that. Sure the people in inner cities
21 pay more, but why? Because it costs more to serve people
22 in inner cities. The costs are greater there.

23 So why don't we just recognize the fact that
24 it is going to cost more in an inner city. I assume it is
25 also going to cost -- in some very rural areas, going to

1 cost more to operate.

2 For example, in an inner city, one of our own
3 USDA studies found out that the disappearance or shrinkage
4 that you can't account for was five times what it was in
5 more rural areas, which adds to the cost of business.

6 SECRETARY BERGLAND: We can keep this up all
7 morning, but we have to move on to Mr. Stephens. You have
8 said we should provide tax relief, particularly in genera-
9 tional transfer, estate taxes, and the like, to family
10 farmers and ranchers.

11 How would you define the term "family farmers and
12 ranchers?"

13 DR. STEPHENS: I suppose any individual you asked
14 would give a different definition of what this was. But,
15 for example, I think in my more detailed paper I indicate
16 that in the northeast -- a 100-acre vegetable farm in the
17 Northeast might be comparable to a 100-section ranch in
18 Southern New Mexico.

19 So when it comes to what is a family farm, it
20 would depend upon the section of the country, but it would
21 be different in different places.

22 SECRETARY BERGLAND: Do you think there is a
23 common definition that can be used to provide the guidance
24 universally across the country? You cannot do it by
25 acreage, I think that is agreed.

1 DR. STEPHENS: I doubt that seriously. You might
2 use the net income. Of course, we got into this on the
3 160-acre limitation: what is a logical acreage.

4 It is very difficult to get a handle on.

5 SECRETARY BERGLAND: You made reference to
6 Government credit. We are looking at this carefully. The
7 Farmers Home Administration is a lender of last resort.
8 We generally lend money to people who cannot get credit
9 elsewhere and they have to otherwise qualify.

10 Now we have the practical political dilemma of
11 which I am asking for an opinion. There is nothing wrong
12 with the price of pork that a 10 percent reduction in the
13 swine herd won't cure, and that is the only cure.

14 We are now getting calls from pork producers who
15 are in big money trouble. They are probably not going to
16 make it,

17 QUESTION: Should Government make them a loan
18 to stay in business when we know what needs to be done?

19 DR. STEPHENS: Again, I think this has been
20 addressed, but it always becomes a question, how long do
21 you keep an individual, whether he is farmer, whatever,
22 in business by subsidies or let the economical forces
23 take place and move the resources they belong with.

24 I don't know the cure, the hog producer out
25 there, and for one reason or another, you have gone into

1 this.

2 Certainly he would like to have some relief,
3 but in the final analysis I think we are going to have to
4 let the resources allocate who goes where and were it a
5 hog producer, a livestock producer, we do know these things
6 come and go and we do have fluctuation in prices. I would
7 say basically it is better to let the resources allocate.

8 SECRETARY BERGLAND: In other words, we should
9 not make them alone?

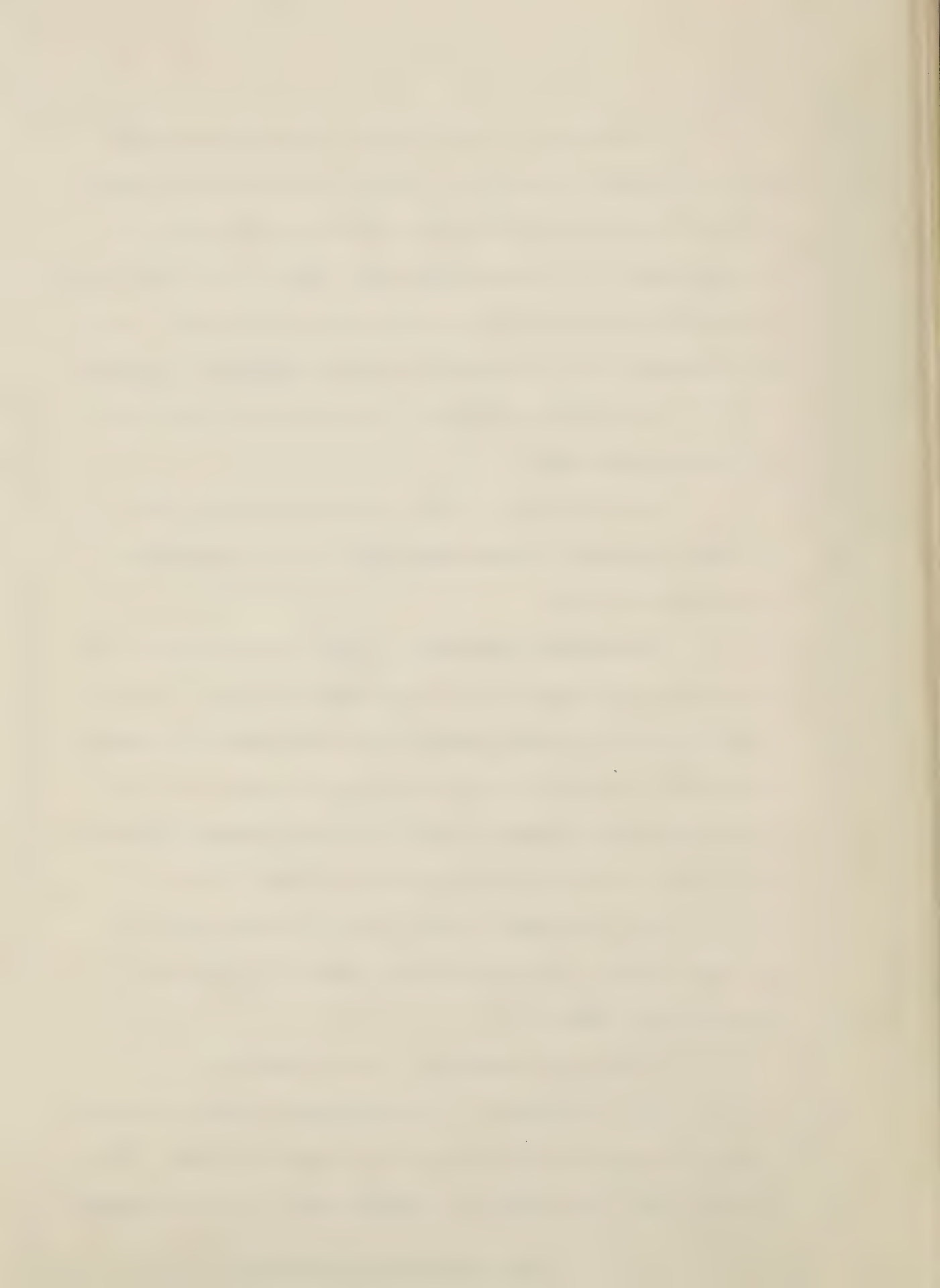
10 DR. STEPHENS: Well, it is difficult, as I say,
11 to make a general across-the-board sort of statement on
12 not to make a loan.

13 SECRETARY BERGLAND: Maybe I should put it in
14 a more general way, in a more academic setting. Do you
15 think generally credit should be an instrument of overall
16 Government policymaking or should it be perceived with
17 the entitlement concept that if you are somehow driven to
18 the corner, you are entitled to Government credit?

19 DR. STEPHENS: Well, in the countryside now,
20 at least where I am coming from, credit is extremely
21 difficult to come by.

22 SECRETARY BERGLAND: It is expensive.

23 DR. STEPHENS: It is expensive in some instances
24 like the Farmers Home Loan for the gasoline plant. They
25 are not even interested in loaning money on a guaranteed



1 basis here.

2 But I think there is some responsibility here
3 for Government because you can't get away from it. Whether
4 you want to or not, the Federal Government is involved in
5 credit, in financing. Their actions do impact -- the
6 Feds action impacts across the board.

7 SECRETARY BERGLAND: Dr. Penn.

8 DR. PENN: Since we are about out of time, I
9 only have a couple of quick questions. The first is to
10 Ms. Haas.

11 In your statement, Ellen, you noted it was
12 impossible for all of the policy concerns related to the
13 total food system to be adequately treated in the presently
14 structured Department of Agriculture, and you suggested
15 some new institutional framework might be appropriate.

16 What kind of institutional framework did you
17 have in mind?

18 MS. HAAS: I think, as I stated in my statement,
19 a reorganized Department of Food and Agriculture where
20 there would be a clearly defined mission that would
21 really respond to all those parts of the food system so
22 that we could deal with our nutrition policy questions,
23 our food policy questions, and our agricultural policy
24 questions integrated in one system.

25 I think Connie Townsend and I and commodity



1 groups and consumer groups and food retailers and food
2 producers and the food processors would then have a total
3 food system approach where our questions could be resolved
4 in the context of the Department of Food and Agriculture
5 and would not have to be fanned out in the fires of
6 political outside manipulation.

7 I think then you would be able to resolve all
8 our questions in a much more comprehensive way and one
9 that was responsive to today's consumer issues and
10 nutrition issues.

11 They are the stepchild of farming, and when they
12 are brought up -- the concern is everyone feels threatened.
13 I think if we clarify that mission and what it really has
14 become in the 1980's, a Department of Food and Agriculture,
15 we would have more understanding and cooperation and more
16 progress.

17 DR. PENN: Thank you. The other question is
18 for Mr. Stephens. In your statement, you said you
19 recommend a review of all the farm loan and direct payment
20 programs in USDA to determine where loan and payment
21 ceilings are needed.

22 How do you determine where loan and payment
23 ceilings are needed? How do you establish criteria by
24 which to determine what a limit ought to be?

25 DR, STEPHENS: Again, that is a difficult thing

1 to put a figure on: how high a loan or how much loan you
2 should have.

3 I think the point we are trying to make here is
4 that if it is too high -- and I don't know what "too high"
5 is, it would encourage, perhaps, a corporate pipe
6 agriculture.

7 So I don't know what the limit would be, just
8 what I was encouraging: an examination; take a look and
9 see; is it encouraging the type of American agriculture
10 we want.

11 DR. PENN: Your big problem, you know, is
12 finding agreement.

13 DR. STEPHENS: I agree.

14 DR. PENN: I don't have any other questions,
15 but I might note --

16 SECRETARY BERGLAND: Five minutes time.

17 DR. PENN: -- that Ellen Haas said, if you
18 noticed, there is a lot of other economic research that
19 ought to be done, and that is mainly a budget problem,
20 you know.

21 (Laughter)

22 MS. HAAS: Are you giving hints for us to
23 lobby for the research budget?

24 DR. PENN: That is all I have.

25 SECRETARY BERGLAND: I have one last question.

1 Dr. Stephens, there is a great deal of controversy about
2 Federal land management authority and policy or the lack
3 thereof in the West.

4 Legislatures are engaged in what they call a
5 "sagebrush rebellion" and there seems to be a lot of
6 criticism of Federal policy on land management in the
7 western states.

8 What do you think should be done about this?

9 DR. STEPHENS: Mr. Secretary, there is consi-
10 derable concern in the West. As you know, our own state
11 passed a bill and the Governor signed it.

12 I think what brought this on was the attitude
13 of the Government agencies in the management of these
14 lands.

15 We have the intermingled state and private and
16 Federal land. What was happening there, particularly
17 with the Bureau of Land Management, they were coming in
18 and making decisions to manage the Federal lands.

19 And by doing this, they were forcing the rancher
20 primarily or whoever was on the land to manage the state
21 and private lands in the same way.

22 One of the things -- and I think we have turned
23 this around to a degree -- is to get the involvement
24 of the land manager, whether it is a rancher or a state
25 land commissioner, to involve them in the decision-making

1 process.

2 And the new amendments to one of these laws did
3 help in that respect. It requires they be involved. We
4 have not, in my opinion, experienced the degree of problems
5 with the Forest Service as we have, say, with the Bureau of
6 Land Management.

7 I think there has been involvement at that level,
8 but I think the real problem was the lack of bringing along
9 the land commissioners and your ranchers who were managing
10 those lands into the decision-making process.

11 SECRETARY BERGLAND: Very good. Time has just
12 about expired. Do any of you have anything you would like
13 to say before we dismiss this group?

14 If not, ladies and gentlemen, I want to thank you
15 very much for your constructive and courageous statements.

16 DR. STEPHENS: Thank you, Mr. Secretary.

17 MS. HAAS: Thank you.

18 (Applause)

19 SECRETARY BERGLAND: Our next panel is addressing
20 the question of Agricultural Labor, and it is composed of
21 Dr. William Splinter, who represents the American Society
22 of Agricultural Engineers; Dr. James Holt, Consulting
23 Agricultural Economist here in Washington, D. C.,
24 Mr. Tom Jones, who represents the National Association of
25 Farm Worker Organizations; Mr. Perry Ellsworth, the National

1 Council of Agricultural Employers.

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2 If it suits you, we will proceed with the panel
3 as your names appear on the register, and we will start
4 off with Dr. Splinter.

5 STATEMENT OF WILLIAM SPLINTER, AMERICAN SOCIETY OF
6 AGRICULTURAL ENGINEERS

7 Mr. Secretary, my name is William Splinter. I am
8 immediate past president of the American Society of
9 Agricultural Engineers.

10 We are a society of approximately 8,000 members
11 primarily concerned with the design and development of
12 agricultural machines, irrigation and drainage systems, soil
13 conservation systems, animal housing units and food pro-
14 cessing systems.

15 I have read the transcript of the 10 hearings which
16 you have conducted throughout the country last November and
17 December.

18 We commend you for taking this time from the
19 tremendous pressures of your office to listen to represen-
20 tatives from nearly all facets of the food production system.

21 We sincerely appreciate this opportunity to bring to
22 your attention several dimensions of this very complex area
23 of food production which do not appear to have been covered
24 in materials presented to you.

25 We are particularly concerned with the testimony
of people like the gentleman from the Colorado Migrant Council

1 at the Denver meeting who expressed the view that mechani-
2 zation topped the list of factors victimizing migrant
3 workers,

4 Mr. Secretary, I was raised on an irrigated farm
5 in western Nebraska and sugar beets and potatoes were among
6 the crops we raised.

7 I have worked directly in the sugar beet and
8 potato fields and I have worked and gone to school with
9 migrant workers.

10 There is another side to this issue of migrant
11 workers and farm labor.

12 First, having to think sugar beets with a short-
13 handled hoe, bent from the waist, under the hot sun for days
14 on end is no fun.

15 Having to top sugar beets with a knife, again
16 bent from the waist, is drudgery. Having to pick almost
17 any begetable crop plus field crops like cotton or tobacco
18 is demeaning drudgery.

19 The pay for this numbing physical work is meager.
20 Given any opportunity to do so, people who must start at
21 this lowest rung of the social ladder will elect for jobs
22 which are less physically demanding and dehumanizing.

23 A second serious consequence of migrant labor
24 is the built-in social trap for those involved. To
25 respond to the critical time constraints of the harvest,

1 both parents and most of the older children must work in
2 the harvest. This creates a very serious impediment to the
3 attainment of any educational skills, thereby constraining
4 the children of migrant workers to the low job skill market.

5 Thus we develop and perpetuate a peasant class
6 to which any thinking man is opposed. We appreciate the
7 concerns of those workers whose livelihood derives from
8 hardest labor.

9 This is among the most unstable of job opportunities
10 with the fluctuations in weather and the marketplace keeping
11 these positions in continuous jeopardy.

12 We are concerned with the physical stress to which
13 they are subjected and the unnatural and undignified work
14 posture they must assume.

15 We are concerned with the living conditions they
16 must endure in migrant labor shacks. Our solution to this
17 problem is to build stability into the food production system
18 and to devise mechanical aids to alleviate the need for a
19 transient population and backbreaking work.

20 We do this through mechanization. Contrary to
21 expressed opinion, mechanization leads rather than forces
22 the movement of migrant workers into a more stable economy.

23 Any mechanical harvester must be manufactured and
24 the machine must exist before field labor can be replaced.
25 A mechanical harvester can be manufactured year around.



1 Steel and manufactured components must precede the⁶²
2 construction of a machine. This production is year around.
3 Coal and ore must be mined for the steel. Thus, any new
4 harvester creates a demand for year round employment in
5 many categories.

6 Manufacturing wages have historically been two
7 times agricultural wages. Therefore, as farm workers move
8 to become welders, truck drivers, machine assemblers, et
9 cetera, they achieve job stability, better working con-
10 ditions, and a better economic return.

11 Now, what of those who arenot needed in the
12 factories making harvesters? First, any single development
13 is not the end of development.

14 We did not stop at McCormick's reaper. Secondly,
15 there are the many consumer and industrial products that have
16 been developed and are continuing to be developed for which
17 laborers are needed.

18 This is the base for our industrial economy.
19 Third and more importantly, we have the large number of
20 professionals--doctors, lawyers, businessmen, engineers,
21 atheletes and artists who have moved from farms to become
22 highly productive contributors to our society.

23 Let us address a second xerious error in perception
24 of the role of public service research in mechanization--
25 that the large manufacturers are the primary recipients of the

benefits from this research.

Does Deere and Company manufacture carrot harvesters? Does International Harvester manufacture peach harvesters? No. Small independent companies are the primary manufacturers of the specialized fruit and vegetable harvesting equipment and they are most often local companies.

These small companies do not have the engineering or financial resources to develop this complex harvesting equipment.

More importantly, they do not have biological scientists to assist in the development of varieties and cultural practices critical to the development of these machines.

These machines must be developed only through public research. The question then is, who benefits most from public research on mechanization?

The answer has to be the public in general. Only mechanization keeps the cost of food to the consumer down. If we paid \$5.00 per hour for hand labor to shuck corn, it would cost 50 cents per bushel just to harvest.

Only mechanization serves the social need for stability in the food production system through the development of industrial jobs which provide year around employment and higher paying jobs.

Mr. Secretary, we appreciate your allowing us the

opportunity to bring these critical issues to your attention.

SECRETARY BERGLAND: Thank you very much. Now
Jim Holt.

STATEMENT OF DR. JAMES S. HOLT, CONSULTING AGRICULTURAL
ECONOMIST

Mr. Secretary, it is a privilege to be here today
to address the farm labor problems that are emerging. This
has been one of the lesser noted, but one of the most funda-
mental changes that has taken place in American agriculture
in the current century.

In this century there have been three distinct
phases in the use of labor, especially hired labor, in
agriculture.

At the turn of the century the labor input in
agriculture was still expanding with the geographical growth
of the agricultural industry.

During the period of rapid industrialization and
technological change that continued into the 1960's, the
labor input in agriculture declined drastically.

In the last third of the century, hired employment
has stopped declining and in some areas has increased.
Hired employment has increased relative to operator employ-
ment.

The agricultural ladder from hired-hand to tenant
to farm owner is gone, if indeed it ever existed. In its
place an agricultural working class has emerged, which is

1 fulfilling more of the labor function in agriculture as
2 operators become more specialized in management.

3 The self-awareness and self-assertiveness of the
4 agriculture working class has blossomed. The prospects are
5 for a continuation of these trends, including an increase
6 in the relative importance of hired labor in agriculture.

7 In the emerging farm labor environment, Federal
8 policy, including USADA policy, towards farmworkers and farm
9 employers, has the opportunity to create a contentious or
10 cooperative farm labor market environment.

11 Decisions made now could have an impact on the
12 agricultural industry and workforce and agricultural labor-
13 management relations for decades to come.

14 Farmworkers as an occupational category have
15 demonstrably serious economic problems. Many of them earn
16 low incomes and have short, uncertain job tenure.

17 They have ranked second only to domestic household
18 workers at the bottom of the occupational income distribution
19 for many years and are well below the median earnings for the
20 labor force as a whole.

21 Although there is little documentation, some
22 farmworkers appear to be subject to occupational health and
23 safety hazards, physically and psychologically difficult
24 working conditions and exploitation by employers and/or
25 third parties.

1 The migrant portion of the workforce, while rela-
2 tively small, is subject to additional occupational and
3 nonoccupational hazards as a result of the migratory
4 experience.

5 At the same time, many farmers believe that they
6 have labor problems that are imperiling their ability to
7 farm and to maintain a competitive price position in domestic
8 and world markets.

9 Their concerns coalesce chiefly around uncertainty
10 of labor supply, particularly for seasonal workers, and
11 heavy dependence on illegal aliens in some parts of the
12 country.

13 Farm employers are concerned that economic progress,
14 changes in society's attitudes toward agriculture, and
15 income maintenance and social insurance programs are resulting
16 in disincentives to labor force participation among potential
17 farmworkers.

18 They view some current farm labor regulations and
19 legislation as punitive and/or counterproductive. They are
20 concerned about problems of labor supervision, control and
21 worker productivity.

22 Is there justification for USDA involvement in
23 these problems? It seems clear that USDA has a legitimate
24 interest in and concern about farmworkers both from a human
25 resource and an agricultural production perspective:

1 One: About 2.7 million hired workers earn some or
2 all of their household income from hired farm work, as do
3 approximately 3 million farm operators and working family
4 members.

5 Among both farmworkers and operators, some are
6 totally dependent on their agricultural earnings while for
7 others, agricultural earnings supplement other sources of
8 income.

9 While USDA is concerned about all who are dependent
10 on agriculture, from producer to domestic consumer to
11 international consumer, it has always felt a special respon-
12 sibility to those who actually carry out production and whose
13 welfare is directly dependent on farming.

14 Secondly, labor is an essential input in agricul-
15 tural production, just as land, fertilizer, machinery, feed,
16 et cetera.

17 In 1978, farmers spent an estimated \$7.7 billion
18 on hired labor, more than one in every 12 dollars spent on
19 production costs, including depreciation of capital.

20 USDA has a legitimate concern and responsibility
21 for the availability, cost, productivity and markets through
22 which the labor input moves, just as it does for other
23 essential farm inputs.

24 Federal farm labor policy is likely to be disruptive
25 rather than constructive, unless some basic goals for farm

1 labor policy are adopted.

2 I would suggest that these goals should be:

3 First, an agricultural working class as nearly
4 equivalent to the social and economic norms of the labor
5 force generally as is practical to achieve, and secondly,
6 the maintenance and effective utilization of a supply of
7 labor adequate to meet the needs of the U. S. agricultural
8 industry to the maximum extent consistent with the preceding
9 goal.

10 This statement of goals recognizes potential
11 conflicts among interest groups. It adopts explicitly a
12 basic tenet of social justice that no group's welfare should
13 require the maintenance of an economically disadvantaged
14 sector of society.

15 Policy with respect to farmworkers and farm
16 employers must be based on the recognition that the long
17 run best interests of both groups and that of the nation are
18 served by a healthy, productive agricultural industry, which
19 includes adequate incomes and humane treatment for all
20 participants.

21 Past policies to deal with the dual problems of low
22 income among agricultural workers and uncertainty of labor
23 supply have had four general thrusts:

24 First, aiding the transition of displaced and
25 current farmworkers out of the unskilled labor pool into

1 more remunerative and stable employment; second, protecting⁶⁹
2 and aiding those remaining employed in agriculture through
3 legislation, regulation and direct services; third, reducing
4 seasonal labor needs through mechanization of low produc-
5 tivity and physically difficult or unpleasant work and
6 restructuring of production and management process to
7 increase productivity and stability of employment; and
8 fourth, facilitating the temporary participation of local and
9 non-local workers in agricultural work in areas of high
10 short-term seasonal labor demand.

11 These are the appropriate approaches to take in
12 dealing with farm labor problems. For a variety of reasons,
13 they have not been notably effective.

14 The magnitude of the effort mounted has often
15 been inadequate in relation to the magnitude of the
16 problem.

17 Policies and programs have often been based upon
18 unsound premises and inadequate or erroneous information.
19 The objectives of programs have frequently been contradictory
20 and have resulted in contentiousness and divisiveness among
21 the interest groups involved.

22 In the past, farm labor problems have been perceived
23 and treated in a segmented and fragmented manner. In the
24 few minutes available here, it is not possible to make
25 suggestions for amelioratory action in detail.

1 Indeed, much thought and planning needs to be given
2 to the question of where and how USDA and other Federal
3 agencies can intervene to effectuate improvements and where
4 things had better be left alone.

5 However, it is clear that farm labor issues are a
6 legitimate concern of the Department. At a minimum, they
7 should be considered as seriously as the more traditional
8 problem areas with which the Department has been concerned
9 and should be addressed adequately in the Department's
10 ongoing programs in statistics, research, extension education
11 and others.

12 Beyond that, it has often been observed, most
13 recently in testimony at these hearings, that there are
14 broad areas of congruity of interest among farmworkers,
15 agricultural employers, and even consumers.

16 There is a preeminent need for a mechanism or
17 presence within the Federal system that can hear and under-
18 stand these interests, communicate and interpret these
19 concerns effectively through the Federal establishment, and
20 to the public, and serve as a focus for dialogue and
21 mediation of conflicting interests.

22 USDA is perhaps the logical agency of government
23 to undertake this role. Finally, at present USDA has little
24 specific designated program responsibility for farmworkers,
25 with the exception of the migrant housing program of FmHA.

1 In the past, the Department has generally not been
2 creative in suggesting labor related programming and has been
3 cool to proposals that it undertake such programs.

4 This may be an appropriate time to reexamine the
5 generally "hands-off" policy the Department has taken toward
6 farm labor programming and to examine ways in which it could
7 contribute to the attainment of farm labor policy goals
8 through specific program initiatives.

9 SECRETARY BERGLAND: Thank you very much. Now
10 Tom Jones.

11 STATEMENT OF TOM JONES, NATIONAL ASSOCIATION OF FARMWORKER
12 ORGANIZATIONS

13 I appreciate the opportunity to speak today. I
14 realize the issues of agricultural labors are not going
15 to be able to be dealt with properly in this short time
16 frame.

17 Therefore, I would like to restrict our presen-
18 tation to the aspect of the study that we think relates
19 directly to agricultural labor forces.

20 The fact is that the dynamics of agricultural
21 labor are, in effect, changing greatly. The problem has
22 been that historically the farm labor force has been viewed
23 as a surplus commodity, and what is happening within the
24 farm labor community is it is becoming a community in all
25 full rights.

It is recognizing that its citizenry has a

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1 responsibility, but also it has basic protections assumed
2 in its role, and it also assumes the dynamic role of
3 community presumes we will be able to encourage farm labor
4 families to become full participants in an industry which
5 has so far excluded them.

6 To specify, we recognize four problems relating
7 to the structural study, and we would encourage the
8 Department to center its activity around these primary
9 areas.

10 One is displacement. Primarily, your new policy
11 on mechanization provides new light that the Department not
12 cut off mechanization because we believe that is not your
13 intent, but to understand the impact on families, small
14 farm workers like on the impact of mechanization.

15 Secondly, a purposeful policy both at the Federal
16 and industry level to return to the age-old dynamics of
17 an industrial society of importing cheap labor to do the
18 work as citizens begin to assert their rights and assume
19 their role as a sophisticated labor force.

20 Three, a great confusion in Federal policy--in
21 some cases a complete absence of Federal policy; rather
22 an accumulation of Federal regulations which do not go
23 towards any purpose and often conflict.

24 The second basic area we see is the energy
25 problems which are impacting on the industry as a whole,

1 primarily relating at a policy level.

2 We are aware the United States Government is
3 actively negotiating on oil and is dealing actively with
4 the issues and potential utilization of H2.

5 The mobility of farmworkers as still highly mobile
6 and reside in states other than they do their work is going
7 to be directly impacted as we reach the next few years.

8 Mechanization technology is also, we believe,
9 going to be greatly impacted. The old technology approaches
10 with the limited use of petroleum-related products is going
11 to mandate that the industry revamp its mechanization
12 strategy.

13 Third, the basic and age-old problems of wages,
14 protections, unionization remain at the forefront and
15 have to be part of any conversation and anything to do
16 with the lives of agricultural workers.

17 Fourth, and it is unfortunate in this 10-year
18 period we must put this as a categorical problem, is
19 Federal activity.

20 The fact is, there is no Federal program. We
21 have no policy. We have an accumulation of programs. Nobody
22 wants to take the responsibility of relief for farmworkers
23 proportionate to farmers.

24 We understand, and it is very critical to
25 understand the very necessary support to the farm industry,

1 but we also find out in areas of crisis that farmworkers
2 are treated as after-the-fact and impact of relief is
3 after the fact.

4 We understand that the administration has
5 developed potential and future uses of gas rationing, and
6 as a case in point, gas rationing has no program for the
7 farm labor program as it was envisioned by the administration.

8 We have had in years past a very close related
9 program to agriculture which has been very important to
10 farmers, and that is the Gas Rebate Program.

11 When I was a farm worker with farm workers in
12 Colorado, farm workers in San Louise Valley would be able
13 to buy from the co-op, 32 cents a gallon for regular gas,
14 and they would buy from the co-op at 26 and get a \$6.00
15 rebate from the Federal Government.

16 When I brought 25 farmworkers to the program,
17 ironically enough, the Farmers Co-op invited them in, but
18 the Federal Government wouldn't allow farmworker rebate for
19 the gasoline used by farmworkers to work on that very same
20 farm, using their flatbeds to harvest.

21 The final issue we would relate to is some
22 recommendations to rationalize the policy for farm labor
23 in these terms, participation and ownership, participation
24 in active role with the industry, to be able to get involved,
25 to be able to participate in the industry as full participants

1 rather than as piecemeal constituents or as a problem for
2 the Federal service rather than resource.

3 Finally, to look at the farmworker community as
4 a developmental force as compared to a social service
5 problem and to begin to approach the farmworker community
6 as a part of the industry and to take advantage of that
7 because they are fully prepared to cooperate and participate
8 with the farmworker industry as full participants.

9 SECRETARY BERGLAND: Thank you very much. And
10 now to Mr. Perry Ellsworth.

11 STATEMENT OF PERRY ELLSWORTH, EXECUTIVE VICE PRESIDENT,
12 NATIONAL COUNCIL OF AGRICULTURAL EMPLOYERS

13 Thank you, sir. I am afraid a lot of what I am
14 going to say is going to be repetitious, but I didn't know
15 what these wrestlers were going to come up with.

16 Let's take a first look at what the size of
17 agriculture labor force and its composition. Approximately
18 2.7 million persons performed some kind of agricultural work
19 at some time or other in 1977, the most recent year for
20 which statistics are available; 1.7 million, or 63 percent
21 of that total, worked 75 days or less.

22 And one million, or 37 percent of that total,
23 worked less than 25 days. The bulk of the 1.7 million who
24 worked 75 days or less were students and housewives who were
25 not in the labor force the rest of the year.

Of the 1 million persons who worked for 75 days

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1 or more in 1977, 400,000 were permanent, year 'round
2 employees, and that left only 600,000 who were seasonal
3 workers, and more than half of them worked less than 150 days.

4 In 1977, according to USDA statistics, there were
5 only 191,000 migrant workers. Thus, the great majority,
6 66 percent, of the seasonal agricultural workers were, and
7 are, local workers who return to their homes each night.

8 SECRETARY BERGLAND: May I interrupt you for a
9 question? These persons are presumably persons who are not
10 members of the family? These are hired-hands?

11 MR. ELLSWORTH: Yes, sir.

12 SECRETARY BERGLAND: Thank you, sir.

13 MR. ELLSWORTH: It is thus readily apparent that
14 the number of full-time agricultural workers and especially
15 migrant workers is really quite small when compared to the
16 total agricultural workforce.

17 Agricultural employers seek workers who will report
18 for work when needed, will give a full day's work, and will
19 stay on the job until the season is over.

20 Agricultural employers seek workers who are skilled,
21 who have the physical strength and manual dexterity to
22 perform the job.

23 Contrary to the belief of many, agricultural work
24 cannot be done by just anyone. The prospect for the Eighties
25 is a need for more rather than less hired labor in agriculture,

1 but there are factors at work which tend to reduce the
2 available workforce.

3 Among the factors are: One, various government
4 removal programs directed toward transferring agricultural
5 workers to alternative year 'round employment.

6 Second, income transfer programs which meet or
7 exceed the income that many workers can earn in agricultural
8 employment.

9 Third, an increasing tendency on the part of
10 workers to pursue agricultural work as a last resort. Unable
11 to find enough able, willing and qualified U. S. workers,
12 employers have turned to undocumented workers or, in some
13 cases, temporary foreign workers.

14 Another factor has been at work. Coverage of
15 agricultural workers by the Federal minimum wage law,
16 Federally mandated adverse effect wage rates for users of
17 temporary foreign workers, payment of transportation to
18 and from the job site, and free housing and other expenses
19 have raised the cost of employing manual labor to the point
20 where it is often less expensive to mechanize certain
21 agricultural operations.

22 Other growers, unable to meet the costs of raising
23 labor-intensive crops or mechanizing, have turned to field
24 crops such as corn or soybeans which require no extra labor.

25 The problems of agricultural labor are complex.

1 Their solution requires the conscientious concern of both
2 employers and employees.

3 SECRETARY BERGLAND: Thank you very much,
4 Mr. Ellsworth. This segment will go on until 11:30.
5 Dr. Splinter, I grew up in a farm in Minnesota, and as a
6 kid I cleaned calf pens by hand.

7 I vowed if I ever had a chance to dump that job
8 I would and I kept that word. So I have no quarrel with
9 you, sir, and your colleagues for introducing mechanization
10 to avoid that kind of nonproductive energy spent.

11 The question, I think, is what is an appropriate
12 Federal role in all this. We believe -- I personally believe
13 that the marketplace is probably the best place to sort
14 these things out, that a farm manager's decision whether or
15 not to buy a machine or hire workers is something he or
16 she will do on the basis of economics.

17 The rising cost of energy is changing some of
18 this, but as a general rule, we think that is the proper
19 place in which those decisions should be made.

20 We have no argument at all with private investment
21 and mechanization research. We have no argument with the
22 universities engaging in that activity, which is obviously
23 of interest to local taxpayers.

24 The question is, what is an appropriate Federal
25 role in all of this. Would you care to share with us your

1 views on this, keeping in mind that I am under enormous
2 pressures to direct the billion dollars or so in agriculture
3 research into things that are basic.

4 DR. SPLINTER: That is basically our concern. We
5 do not at all -- have no intentions of trying to thrust into
6 the USDA programs more money or something like this.

7 Rather, what we would like to have is simply
8 equal opportunity to compete for these Federal funds.

9 SECRETARY BERGLAND: We, are you talking about?

10 DR. SPLINTER: I am talking about the new thrust
11 within the USDA for funding photosynthetic efficiency and
12 these other "scientific operations" which tend to operate
13 to exclude us from the engineering profession from competing
14 for these funds.

15 We are not afraid of competition; we just don't
16 want the door closed for us in this area. I think the
17 USDA has played a leading role in the last hundred years
18 in assisting farmers in the development of labor-saving
19 devices; barn cleaners, the dairy industry, for example.

20 We have moved the pounds of milk a person can
21 produce per hour from 180 to well over 2400. There is no
22 one that likes to milk cows worse than I do.

23 I think this has been an appropriate thrust for
24 the USDA, and we feel many of the shifts that have taken
25 place within the last five to 10 years have been to

1 exclude the applications of engineering within the USDA 80
2 budgeting structure.

3 We feel it is appropriate that the engineering
4 dimension be kept within this budget.

5 SECRETARY BERGLAND: What do you think the public
6 engineering work should be centered on or directed at?
7 We have been building and selling a new machine as a proper
8 function of private enterprise.

9 DR. SPLINTER: We don't disagree with you. We
10 think the public area in mechanization should be toward
11 those basic studies which apply.

12 For example, we have many areas that involve the
13 physical properties of plants, the growth, dynamics of
14 plants, the response of animals to environment, and the
15 response of men to work conditions.

16 These are the areas we feel are essential as
17 background for mechanization development. We do not see
18 the USDA, for example, developing a machine which John Deere
19 should pick up or International should pick up any more than
20 International or John Deere think the USDA or state agencies
21 should be doing that.

22 SECRETARY BERGLAND: We have a different number,
23 two or three carefully constructed scientific advisory
24 panels giving us instruction on how and where our Federal
25 monies should flow.

1 Of course, we have a number of highly qualified
2 land grant university professionals serving on these panels.
3 Are you suggesting that the engineering component of our
4 research and development activity has somehow not been
5 granted the attention it deserves in all this?

6 DR. SPLINTER: That is correct. If you will look
7 on the panel you have selected to look into the mechanization
8 issue, there is no one on that panel as we recognize as
9 having authority in the mechanization area.

10 There are people from industry, but we don't feel
11 they would have that much knowledge of mechanization area.

12 SECRETARY BERGLAND: We have two or three
13 advisory panels made up of university persons who give
14 advice on the overall strategy of USDA research without
15 specific attention paid to mechanization per se.

16 Are you suggesting that panel is not as well
17 balanced as it should be, either, from your perspective?

18 DR. SPLINTER: You are talking about a second
19 panel now, not the one you set up for your study on
20 mechanization.

21 SECRETARY BERGLAND: The mechanization direction
22 is specifically an organized group to focus on that problem,
23 but that is ad hoc group that will pass out of existence.

24 DR. SPLINTER: You have two other long-term
25 advisory committees and neither of those do we recognize

1 individuals who would be knowledgeable in the area of
2 mechanization,

3 You have some farmers in there who have personal
4 experience with it, but we see no one in there that would
5 have -- that would be knowledgeable of the engineering
6 dimension,

7 SECRETARY BERGLAND: Okay, sir. Dr. Holt, I
8 think it is generally agreed that workers want jobs, and
9 of course anybody who has ambition enough to work is
10 entitled to a living wage.

11 Employers need workers who are skilled and
12 reliable, so the needs are the same. It is a difficult
13 market, though, because it is so -- the way it is structured:
14 it is season, it is fractured, it is not the kind of thing
15 that is conducive to having a hiring -- employers and
16 workers getting together in the marketplace and agreeing to
17 terms and conditions.

18 You have suggested the USDA enter that arena.
19 Why? Why not the Department of Labor? It is in it. Why
20 reinvent the wheel?

21 DR. HOLT: Well, I suggested that there are
22 severe problems in the labor market, in the labor market
23 operation.

24 And while the Federal Government -- there has been
25 a Federal presence, I think, primarily expressed through

1 the Department of Labor involved.

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2 As I have suggested and as Mr. Jones has suggested,
3 too, there really hasn't been a coherent policy; there has
4 been a lot of individual programs, some of which are
5 almost diametrically opposed to our purposes.

6 I don't think I am suggesting that the Federal
7 Government in general or USDA in particular get involved
8 in the mechanics of the labor market process itself.

9 I am not suggesting, for example, USDA attempt
10 to take over the Labor Department's function in the job
11 service or placement, but with respect to the development
12 of a coherent Federal policy towards labor problems in
13 general, both of farm workers and employers, I think that
14 there is a role that USDA can play -- and, as a matter of
15 fact, I guess I would go beyond that and say I think USDA
16 has the background and expertise and the understanding
17 for mediating the conflicts that are occurring in the farm
18 labor market in developing, in carrying out a coherent
19 farm labor market policy.

20 That is the type of thing I am talking about, not
21 that we become involved at the operating level, although
22 I do think there are some operational improvements that
23 need to be made.

24 I think, for example, there are some very severe
25 problems where the operation of the Labor Department's job

1 service functions in the labor market, the labor exchange,⁸⁴
2 labor information exchange, that need to be addressed, but
3 I am not suggesting USDA do that.

4 SECRETARY BERGLAND: All right, sir. Mr. Jones,
5 the agricultural worker - labor relationship has been
6 described by a friend of mine as continuing warfare.

7 This may not be unusual, but it certainly is
8 distressing. I have talked with agricultural employers
9 and employees who have found -- and I think in most cases --
10 a satisfactory relationship that goes generally unnoticed
11 and unreported.

12 But I have also visited with workers and employers
13 who are dissatisfied because they simply have not found
14 each other on a plateau or a plan that is conducive to
15 joining in the marketplace scene that we have a willing
16 worker and a willing employer, and it just doesn't seem
17 to work right: the chemistry is bad or something.

18 I was recently in the apple growing region of
19 Virginia and New York and talked with apple producers who
20 were terribly upset with the crisis management with which
21 they are confronted.

22 On Saturday they don't know if they will have
23 workers on Monday. The perishables will sell or smell. We
24 all understand that.

25 What do you think can be done to settle this down

1 to a sophisticated relationship or atmosphere so the industry
2 can join force?

3 MR. JONES: Mr. Secretary, I couldn't agree with
4 you more. There are too many stereotypes around this
5 farm labor relationship.

6 The fact is that state after state has examples
7 of good relationships between employees and employers.
8 Those very same states indeed, and sometimes, most of the
9 time, in those very same counties you have relationships
10 of great abuse, of isolation and complete lack of communi-
11 cation.

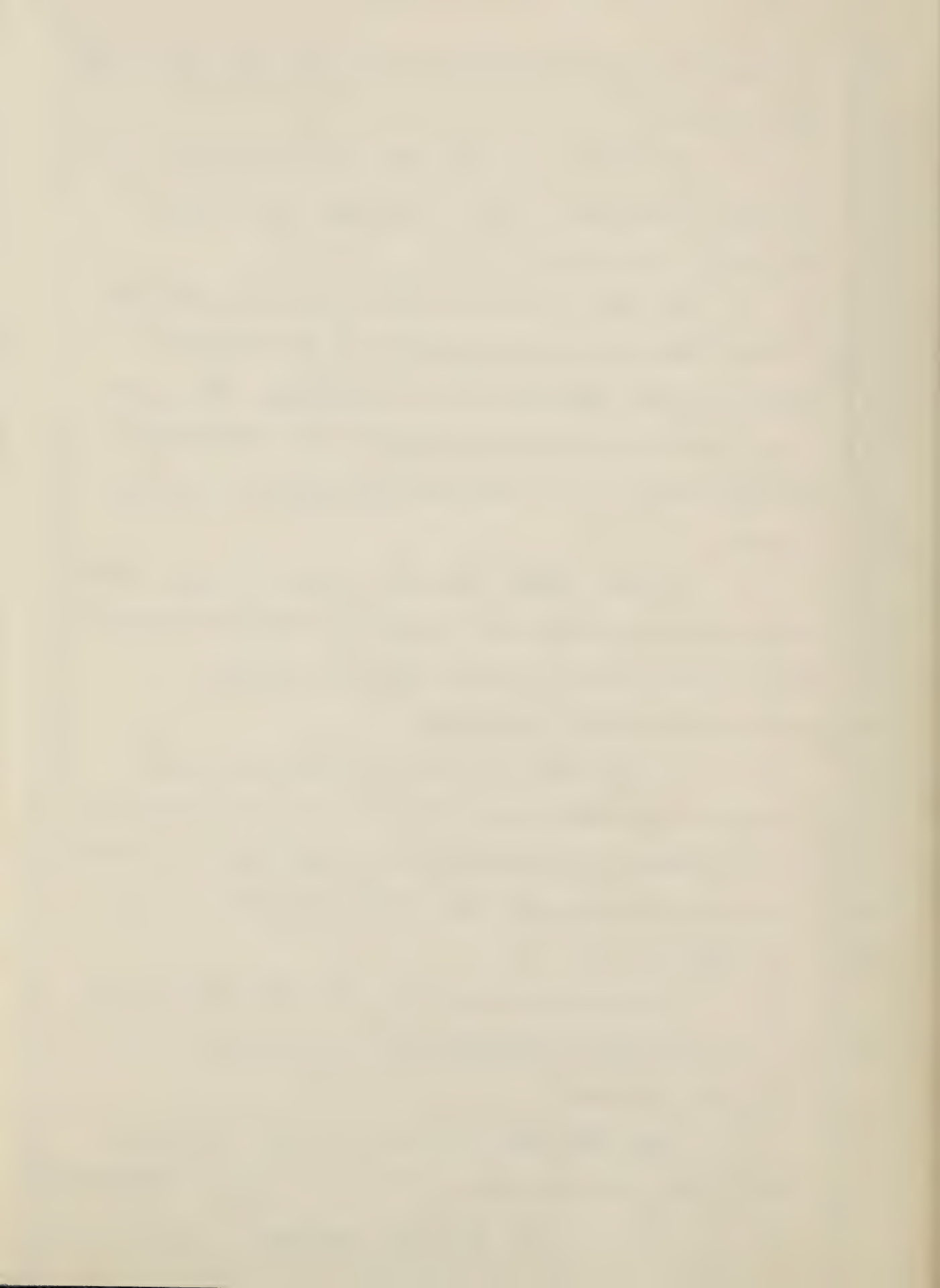
12 I think therein lies your problem: the farm labor
13 community and the industrial community, the farm community,
14 the ownership community, and I think we must bring in
15 proportions to that relationship.

16 In most cases, a farmer controls the product,
17 the type of production and the cycle. So the relationship
18 of the producer and the wholesaler in many cases, particularly
19 the cannery in vegetable crops, relates directly to this
20 relationship.

21 The relationship has been very unstructured, and
22 it was good when the relationship between the farmer and
23 the worker was good.

24 There has been no maturity of that relationship.

25 What we are starting to see in some of the larger industries --



1 I met some months ago at a meeting that Mr. Ellsworth
2 and I attended in West Virginia, and I had an opportunity
3 to speak with the Florida Citrus Growers.

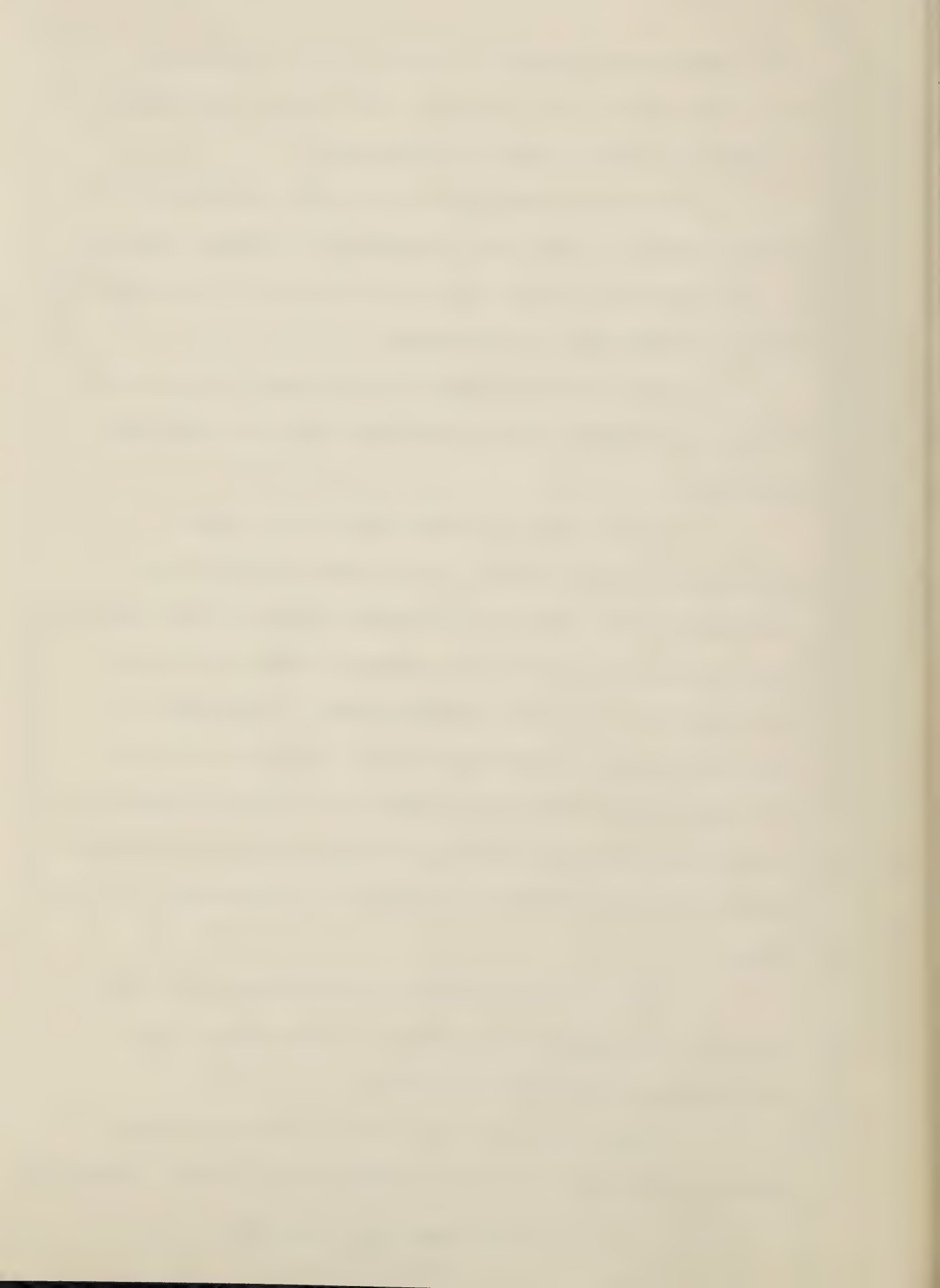
4 They were commenting one of the things they were
5 relieved about is that the relationship no longer depended
6 on good feelings; it was one of maturation. It was beginning
7 to be a professional relationship.

8 They saw stabilization of the labor force as key
9 to that relationship where they said they were moving out
10 of migrancy.

11 But the key was stabilization in an adult
12 professional relationship. One of the things we are
13 starting to see, I must say, I think Virginia, West Virginia,
14 the Mid-Atlantic is the other spectrum where it has been
15 traditionally a full employment system, if you will. It
16 has been good on a one on one basis, but there has been
17 no stabilization and with no stabilization on the employer's
18 side or the employee's side, you must risk the relationship
19 based on personal dynamics, and it is a vulnerable relation-
20 ship.

21 And when you are dealing with people who are as
22 vulnerable as migrant and seasonal farm workers, that
23 relationship lends itself to abuse.

24 I must say that it is one of the distressing
25 thing. I have been in this business for 15 years, looking at



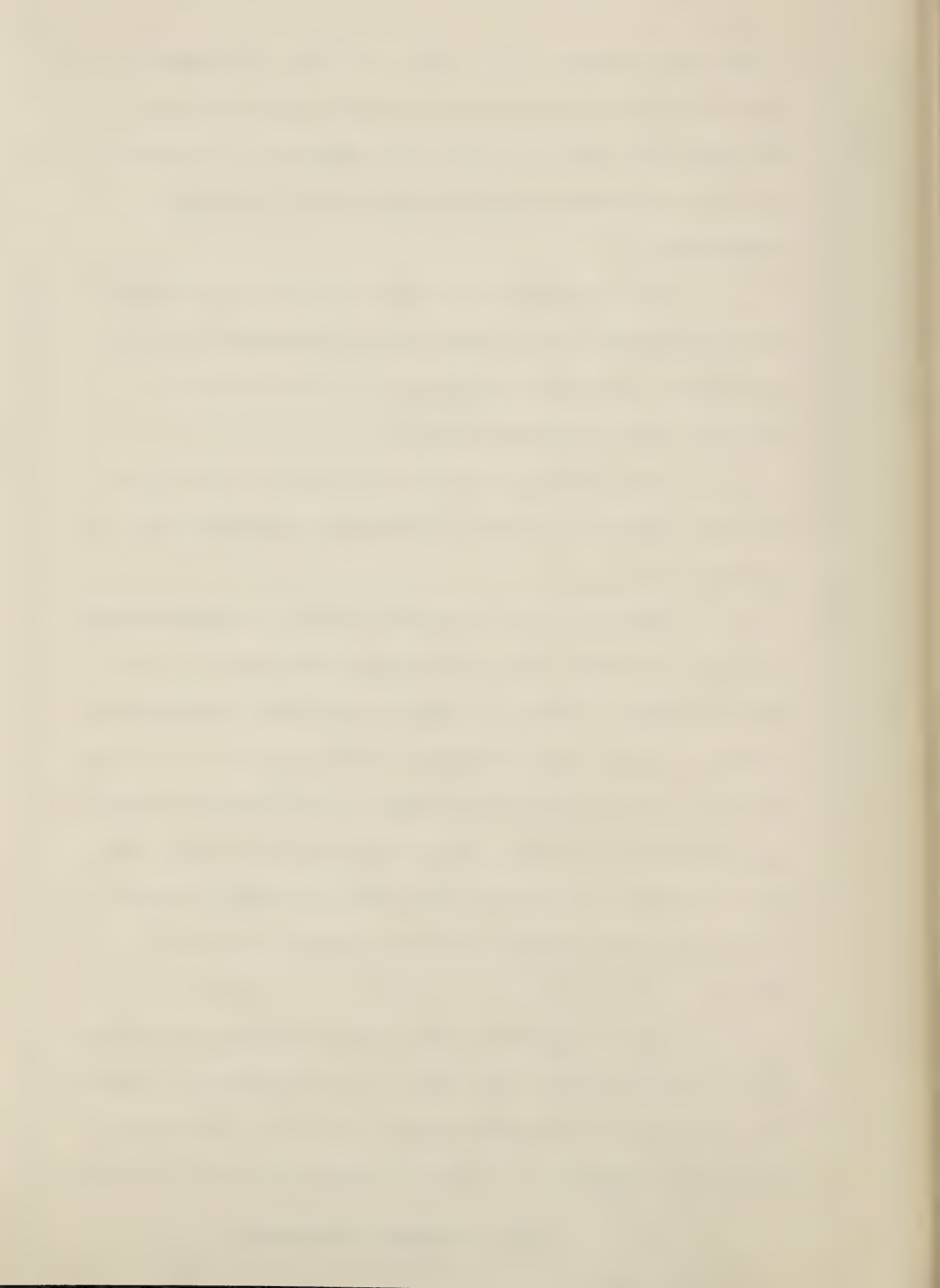
1 it and being a part of it, and it is one of the most
2 distressing things because we have the opportunity to
3 stabilize the force; we have the opportunity to become a
4 productive alliance between that group on some basic
5 assumptions:

6 One, that we have adults in the migrant stream
7 and the seasonal stream that need the responsibility to
8 participate, but must be allowed the opportunity to
9 stabilize their own relationship.

10 The industry must have stability--there is no
11 question. Then it becomes a mechanical problem of how to
12 achieve that.

13 Unfortunately, because of a lot of intervention,
14 because we see the move toward that stabilization, the
15 need to mature, instead of dealing with that question as
16 a Federal group and a community, both industry and workers,
17 we opted out for foreign workers, we opted out to target
18 on undocumented workers, and instead of facing that, we
19 opt to bring in a foreign force that is readily abused to
20 avoid that relationship under the guise of economic
21 crisis.

22 And it becomes a very serious problem because we
23 are not dealing with that issue. The Department of Labor,
24 the other social service programs, can only observe the
25 farm labor community and come in after the fact to correct



1 problems.

2 I would say, Mr. Secretary, what is needed, if
3 there is anything at the Federal level that could do it, is
4 the Department of Agriculture's role. Because they under-
5 stand the industry, they must understand they are the only
6 point in the Federal Government where the industry itself
7 should be looked at from a wholistic viewpoint.

8 The Department of Labor, EPA, have a role in
9 some of the protection, but they neither understand the
10 farm community any more than they understand some of the
11 other things they have gotten into, and they have to deal
12 with it after the fact, and I think that has been part of
13 the confusion.

14 We do not have people who understand the
15 community being able to shape policy and implement policy.

16 SECRETARY BERGLAND: Farm workers have been
17 exempt from the National Labor Relations Act. Do you think
18 they should be included?

19 MR. JONES: Well, that is both -- I am going
20 to, for the record, provide two different answers, if I
21 may.

22 If we were able to approach this in a longer range
23 view, I would say yes. But unfortunately because of the
24 dynamics of what I just mentioned, some of the issues have
25 to be dealt with on a state by state basis right now.

1 Ironically, most of the farm worker leaders in
2 this country, whether they be union, whether they be social
3 leaders or ethnic leaders, do not favor national legislation
4 at this time because they are afraid the national legislation
5 will only encourage the kind of output of Federal activity
6 that has occurred in the past; i.e., there is one basic
7 ground. They are afraid if a Federal program comes down
8 right now, it will become so watered down that the Act itself
9 would be less than the little start they have to hope for
10 right now.

11 It is ironic. Now in Federal testimony, I saw
12 in Congressional testimony that the Farm Bureau favors
13 national legislation for collective bargaining, and I would
14 understand that because that is a start to try to at least
15 get some stabilization, but they also understand the same
16 dynamic I understand -- that we have a start in California.

17 We don't know where that takes us. It certainly
18 has problems. But by going at a national law right now, we
19 haven't yet faced up to the overall issues.

20 SECRETARY BERGLAND: One of the problems that
21 arises, of course, in having the matter dealt with on a
22 site-specific basis is agriculture produces a fungible
23 commodity. It competes in the marketplace. And if one
24 state has a set of standards considerably different from
25 an adjoining state, you have all kinds of interruptions

1 in the marketplace.

2 We are trying to figure out how to reconcile those
3 differences. We know of no other way but Federal intervention.

4 MR. JONES: It isn't often a reality, but the
5 labor patterns in most industries show where you have a need
6 market for the worker, if we could stabilize that, you will
7 find they are also vulnerable, they are also dependent on
8 a meaningful harvest.

9 In most cases, I would venture to say that the
10 responsibility on the farm industry's side is the same
11 percentage as the farm labor side.

12 We have families who want to be productive at
13 both ends. The few strident participants in either extreme
14 have laid out the devils on both ends, but I would say the
15 agricultural industry and the labor industry are responsible
16 enough to look at collective bargaining without the threat
17 of harvesting.

18 It is a ghost that has not materialized at any
19 point, yes, and I would venture to say the harvest in lettuce
20 this year in California is a point in fact of that mythology
21 that the harvest is going to rot or growers -- the settlements
22 show clearly that the industry can survive in spite of
23 months and months of tirades that it was going to be
24 destroyed.

25 It was healthy. It is healthier now than it

1 was last year.

2 SECRETARY BERGLAND: Mr. Ellsworth, what do you
3 think is a proper Federal role in all this?

4 MR. ELLSWORTH: I made one note, Mr. Secretary,
5 as this conversation was going on, and that is--there ought
6 to be one department with concerns for agricultural labor.

7 Let's not put farmers up against policies developed
8 by USDA and keep them under policies and rules and regulations
9 developed by the Department of Labor or we will be even more
10 confused than we are at the present time.

11 I join with Tom Jones and others in saying that
12 I think there is a horrible mish-mash of rules, regulations.
13 In absence of Government policy as such, we are not parti-
14 cularly enamored over the actions of the employment service
15 or the job service, as Dr. Holt refers to it, either.

16 There is room for improvement at some point. But
17 I think wherever it goes, it ought to be in one department
18 and not two. And I don't know how that is accomplished
19 when you are dealing with agricultural labor on one side
20 and agricultural producers on the other.

21 But I think it is possible to do it, but it is
22 going to have to be one ball of wax, and I think you agree
23 with that, don't you?

24 SECRETARY BERGLAND: Mr. Ellsworth, I was in
25 New York State recently. In talking with the growers who

1 employed substantial numbers of workers and the facilities
2 were fine, the wage base was adequate, and there was no
3 abuse of workers in that setting.

4 They were having, though, a very difficult time
5 in finding a workforce that could be depended on. They had
6 been told -- I am not sure whether it was official or not --
7 but they had been told that there was a cadre of unemployed
8 but willing workers in the city of New York, and an attempt
9 was made, I am told, to bring those persons to the rural
10 regions, and the whole thing kind of blew up, didn't work.

11 Are you familiar with experiences like that?

12 MR. ELLSWORTH: I have heard about them. I
13 don't have any firsthand observation.

14 SECRETARY BERGLAND: Do you think there is an
15 opportunity to find a job for a willing worker who is trapped
16 by his or her environment and has no way of getting to
17 rural New York?

18 Do you think there is something that could be
19 done about that kind of a setting?

20 MR. ELLSWORTH: Well, there are at least three
21 of us here -- you, Mr. Splinter and me -- who have had
22 experience with calf pens and milking cows, and all three
23 of us will go back to doing it if the alternative is
24 starvation, but not until.

25 I think that perhaps being a little facetious,

1 there is an old sayings, you can take the person out of the
2 country, but you can't take the country out of the person.

3 And I think city workers -- there are obviously
4 some city people in New York City, born and raised, who
5 would go into agricultural work, find they liked it and
6 stay with it.

7 But experience has pointed out thus far that it
8 has been anything but successful when you are talking in
9 any numbers at all and, unfortunately, as you are well aware
10 and as you have stated, the need for workers to get 50,000
11 bushels of apples off the trees in an orchard is now: it
12 can't be developed over a period of time.

13 And if you get workers who come in for two or
14 three days and don't like it or can't do it, through no
15 fault of theirs, this puts the farmer in a bad spot.

16 So that is why I think more than anything else
17 farmers are not too anxious to run the risk of having city
18 workers come out only to find a great many of them don't
19 like it.

20 SECRETARY BERGLAND: Mr. Penn.

21 DR. PENN: I have only one question for
22 Dr. Splinter. The system of agriculture that we have in
23 the country today is based largely on a relatively cheap
24 energy supply that we have enjoyed for years and years.

25 Of course, the present state of mechanization is

1 an outgrowth of that. Now some people contend the much
2 higher prices for energy portend significant changes in the
3 farm system as we know it today.

4 I was just wondering in what ways the new energy
5 situation might be altering the research program that you
6 have in mechanization research, agricultural engineering
7 research in general.

8 DR. SPLINTER: I would say energy costs are the
9 biggest problem facing agriculture today. Many of our
10 farmers in Nebraska are faced with a base cost of \$2.40 to
11 \$2.60 a bushel to raise corn under irrigation, and you
12 know what the market price is, and you can't make it up on
13 volume.

14 We seriously need, in fact, our people have been
15 a little critical of the USDA, and I know you have got
16 problems with DOE, but we have been critical of the USDA
17 in not being able to develop an energy program within the
18 USDA.

19 Most of us have to go, by one means or another,
20 to the Department of Energy for funding for research. We
21 are doing quite a bit of research in various alternatives.

22 We are working with trying to determine if we can
23 use soybean oil, for example, as a diesel fuel because there
24 are real problems in trying to inject alcohol, as you are
25 very aware.

1 Quite a few of the different departments are
2 involved in alcohol production and alcohol utilization.
3 North Dakota stays involved in utilizing sunflower as an
4 alternative to diesel fuel.

5 The economics are not bad for the use of vegetable
6 oils as a diesel fuel substitute--in my own personal opinion,
7 probably better than the alcohol grains.

8 We have many areas that we have to get into, and
9 the primary concern I see is that too many people have felt
10 that the alcohol problem is a simplistic solution.

11 My observation has been that I have seen no still
12 operating or not even heard of any still operating smaller
13 units, non-commercial units, that are able to get anything
14 like the 2.6 gallons of alcohol per bushel of corn.

15 Most of them are running 1.2 to 1.6 per bushels of
16 corn. That simply doubles the cost of alcohol they are
17 producing, and we need some basic research.

18 I know you have a program in Peoria, but I think
19 we need to expand this research if we are going to utilize
20 this as an energy source.

21 We have tremendous rural pressure for production
22 of alcohol in quantity, and we are very concerned that many
23 farmers are going to buy these units that are being sold
24 by fly-by-night organizations and are going to go down the
25 tube--an economic situation--and this is going to be the final

1 straw.

2 So I think this is one area the USDA can really
3 exercise some leadership and develop the program for farmers
4 to utilize their own production resources to keep the
5 equipment they have in operation.

6 DR. PENN: Thank you, Dr. Splinter. That is all
7 I have.

8 SECRETARY BERGLAND: Dr. Splinter, does your
9 university still engage in the testing of tractors and of
10 reporting on relative efficiency?

11 DR. SPLINTER: That is correct. In fact, I have
12 in my briefcase the latest booklet, which I will give to
13 you before I leave.

14 We do test every -- any tractor that can be sold
15 in the state of Nebraska must be tested at our facility.

16 SECRETARY BERGLAND: Do you still have --

17 DR. SPLINTER: We keep finding tractors that are
18 more and more efficient. The latest tractor that we have
19 tested -- a report just came across my desk -- set a record
20 for fuel efficiency.

21 It was the tractor that was made up in Canada.
22 Unfortunately, it is a little bit better than some of the
23 American tractors.

24 But we are seeing a trend on the part of the
25 tractor manufacturers to improve the fuel efficiency.

1 SECRETARY BERGLAND: I know about that tractor.

2 I own one. The question is now with fuel prices increasing,
3 does the agriculture engineering community take into account
4 other dynamics or other factors than the simple pounds of
5 fuel required per horsepower hour, where in my country the
6 tractor you described -- my son-in-law has one like it,
7 a different make, but he farms 600 acres of land and com-
8 pletes the whole job from spring through fall with about
9 500 hours of his own time spent, and he does it all.

10 That is because of high-powered mechanization.
11 That was based largely on 30-cent diesel fuel. His farm
12 plan is coming unglued. It is \$1.30, or will be soon, I
13 presume.

14 Does your energy discipline engage in that kind
15 of research, looking at what will happen, for example,
16 if the price of gas keeps climbing or the economics of
17 the irrigated agricultural farms on the Ogallala basin
18 in Nebraska and south worsens?

19 Do you look at that as an engineering problem
20 or is that for someone else to worry about?

21 DR. SPLINTER: We are very much involved in --
22 for example, our biggest program at this time is to work
23 with farmers to improve the efficiency of the irrigation
24 pumping plants because that is the single biggest energy
25 user in the western half of the United States.

1 In fact, we have a short course this week in
2 Hastings, Nebraska, where we are teaching farmers and
3 other people, commercial people, how to test an irrigation
4 pumping plant to make it more efficient.

5 We have developed an irrigation scheduling
6 program which is a computerized scheduling system so that
7 farmers can know when they have to irrigate and how much
8 they have to irrigate and basically when they do not have
9 to irrigate.

10 We can save on demonstrated tests roughly one-
11 third to one-half of the water they have to pump. We
12 figure we saved Nebraska farmers last year \$8 million in
13 diesel fuel or its equivalent, and another \$5 million in
14 the nitrogen they would have washed down through the soil
15 through their over-application of water in irrigation.

16 This is very critical working with the grain
17 farmers, the farmers that do not irrigate. Our primary
18 thrust is simply to cut down on the number of our field
19 operations.

20 Too many farmers are plowing and disking and
21 working the land more than they have to. We have been
22 pushing conservation tillage for about 20 years now.

23 We have had some major pickup of this, and
24 now with the price of diesel fuel having gone up, I can
25 remember when it was 16 cents a gallon, but now that it has

1 doubled and tripled, we have to cut back on the number of
2 field operations and the amount of diesel fuel they use
3 per acre, and that is the only way they are going to be able
4 to survive.

5 There is no more efficient that we know of in
6 the engineering world than a diesel engine.

7 SECRETARY BERGLAND: The engineering, both public
8 and private, has produced the kind of machines to which
9 you have referred, and my son-in-law owns this sort of
10 equipment and he farms 600 acres and puts in 500 hours of
11 labor total and has 1500 hours of his own time he has to
12 sell someplace, and he does.

13 But it is off the farm. We are seeing this
14 happen. This mechanical revolution has changed the system
15 so drastically that we have a great deal of under-
16 employment on our farms, and nobody really expects to
17 earn a full-time pay from a part-time job.

18 So mechanization has really changed the structure
19 of farming, and it has created some unintended side-effects
20 which we are now examining: how do we market that spare time
21 labor. That is easier said than done. Any advice?

22 DR. SPLINTER: Well, we have the same observation
23 you have, and this is exactly true. We are finding many
24 farmers are intensifying within their own property lines
25 rather than trying to expand or going, for example, to

1 adding swine production as one element of their operation
2 where they have not had it before.

3 A few farmers, say 10 to 15 years ago, added
4 beef feedlots, but we have seen a backing off of that.
5 Of course, there have been the additions of poultry operations
6 and so forth and a lot of criticism of this because the
7 people are worried about vertical integration and this
8 type of thing.

9 But I would say most of our observations, farmers
10 have tremendous pressure for what we call modified open
11 confined swine facilities. Almost all of these are going
12 in on individual farms, and they allow the farmer to produce
13 swine much more efficiently than before.

14 This is the way a number of farmers in our
15 area are intensifying their operation on their own
16 property.

17 SECRETARY BERGLAND: Gentlemen, the time has
18 about run out. We would be willing to take any comments
19 you have before we close.

20 I would just point out that we are cognizant of
21 the problem in the farm labor situation and are trying to
22 find an appropriate role for USDA in all this.

23 It is not a matter which we are just prepared
24 to leave for chance. That is not good enough for Government
25 work.

1 Neither do we want to go blundering into
2 something for which we are not equipped or in which we have
3 no business, nor do we want to re-invent the wheel, as
4 Mr. Ellsworth has said, with the worst possible world being
5 the creation of two Federal agencies dealing with one problem
6 and employers and workers grappling with two Federal
7 agencies.

8 So we are engaged in what I hope will be a
9 sophisticated examination of the question, and I just open a
10 door to you to provide us with information, advice, help,
11 counsel, criticism from time to time as this process
12 evolves because it is a new area and one that has largely
13 gone untended and been left largely to the states or left
14 largely, unfortunately, to someone else.

15 It is a someone else's problem kind of thing
16 that has created the no man's land. I don't want to create
17 the impression there is a dispute in every instance because
18 in most of the farms I visited in which there are non-
19 family workers employed, the relationship was excellent,
20 the workers were satisfied, conditions good, employers
21 satisfied with his or her employees.

22 So in most cases there is not much of a problem,
23 but there are still areas where there is sort of a jungle,
24 and this is especially true in regions where the farm
25 operator might be classified as a small family farm who needs

1 five employees in two weeks or something like that.

2 That is where the lack of sophistication is most
3 commonly found, I think. So anything -- any advice you have
4 on the matter, please, we can well use.

5 Do any of you have any closing comments?

6 Mr. Jones?

7 MR. JONES: I just have one final comment,
8 Mr. Secretary. I think one of the things as you begin to
9 look into your role that I would just reflect upon is that
10 some of the dynamics that occur between the labor industry
11 right now are very normal in a maturing labor relationship.

12 Some of those the Government has no business
13 in. That is clearly relationship to growth. But one of
14 the things that does not happen at the Federal level is
15 looking at the industry as a whole.

16 I will contend there are two sides. There is an
17 industry. There are components of that industry that must
18 be looked upon, and we have looked upon farm labor as a
19 trustee of the United States while preventing them the
20 opportunity to be a labor force by looking at the industry
21 as a whole.

22 I would propose the Department not only have a
23 fresh perspective, but perhaps come up with some new
24 alternatives and perhaps some new options and some new
25 ways to look at the issue.

1 I would suggest the old way of looking at it
2 has had its time. The situation in the labor community and
3 in the industry are going through major changes.

4 It is a good opportunity for the Department to
5 take on some perspective and discard the old trustee
6 relationship: what will happen between various peoples are
7 going to go on in the progress of any maturing labor market
8 as it begins to deal with the employee and the employer
9 begins to understand the employee.

10 There are other issues that I think are critical.
11 And as you mentioned before, many of the agencies are
12 involved in the protection area, but no one is looking at
13 the whole area as a whole.

14 I think that is absolutely critical.

15 SECRETARY BERGLAND: We are in it, and we, of
16 course, have heard a great deal said about the matter of
17 the undocumented worker, and I have not raised the issue
18 here this morning because we think that is part of a
19 bigger problem, and you really can't deal with the
20 undocumented worker question until you have dealt with
21 some of the more fundamental aspects of the problem.

22 Mr. Ellsworth, do you have anything?

23 MR. ELLSWORTH: I think I can say solidly from
24 my Association that we would be happy to work with you in
25 any way that we can.

1 I share the view of Tom Jones that the dynamics
2 of this industry are going to move and it is better off
3 that they move smoothly, but move they will.

4 Very facetiously, I think perhaps the biggest
5 contribution the Agriculture Department can make to the
6 cause is to develop ever-bearing fruit trees, apples,
7 cherries, so that we would then be able to provide permanent
8 employment for those who want it.

9 DR. HOLT: Mr. Secretary, I would say that there
10 are, while we focused on Government protection programs
11 which have not been within the purview of USDA and which
12 I suspect you would probably just as soon stay away, there
13 are some unique functions USDA has historically played and
14 continues to play with respect to the agricultural problem
15 we need to be aware of.

16 In fact, it can be strengthened. The USDA is
17 the Federal information and statistical agency with regard
18 to labor. I don't think there has been a statistic cited
19 here this morning that has not been generated by this
20 department.

21 The Labor Department, by and large, does not
22 get involved in that. This is the department of government
23 in which research, both economic and sociological and
24 technological dealing with agricultural labor takes place,
25 and we have talked about mechanization, but there are other

1 areas of research.

2 For example, with respect to migratory labor
3 housing, that kind of thing could be effectively researched.
4 There is the agency of the Federal Government at least that
5 is going to be directing what is done with respect to
6 helping teach through extension education and other programs,
7 teach farmers how to deal with a market labor environment,
8 which historically many of them have not been accustomed
9 to doing, and teaching them the new realities of labor
10 management conflict resolution and teaching them to help to
11 restructure their production patterns to fill in the valleys
12 and skim off the peaks.

13 There has been interesting work done in that
14 regard at an extension service in California. So I think
15 there are unique functions that USDA has historically
16 played which should and can be continued in this area,
17 quite apart from the protection.

18 SECRETARY BERGLAND: Thank you very much.
19 Gentlemen, we thank you for your contributions this morning
20 and for your time and energy that you have given to the
21 testimony. It has all been very helpful.

22 This brings the morning segment to a close and
23 we will reconvene at 1 o'clock promptly.

24 (Whereupon, at 11:25 a.m., the meeting was
25 recessed, to reconvene this same day, Tuesday, April 29, 1980,
at 1:00 p.m.)

A F T E R N O O N S E S S I O N

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1:00 p.m.

SECRETARY BERGLAND: If we might have your attention, please. We are five minutes past due, and we will proceed with this next segment, devoting a half-hour to hearing from two of the distinguished governors of two of the leading agricultural states: the Honorable John Carlin from the state of Kansas and the Honorable Bill Clinton, Governor of Arkansas, representing the National Governors Association at these proceedings.

You may proceed as you choose. Governor Carlin, are you first?

GOVERNOR CARLIN: Yes, Mr. Secretary. With all of these instructions up here, I am not sure I understand them correctly.

SECRETARY BERGLAND: Speak into the microphone. It is not as sensitive as some.

STATEMENT OF THE HONORABLE JOHN CARLIN, GOVERNOR OF KANSAS

I have a statement I would like to read, and Governor Clinton will follow with a statement, and then we will deal with any questions you might have.

The American Agriculture, which experienced phenomenal growth in the 1970's, faces a rather precarious set of circumstances in the 1980's.

In the past decade, agriculture's record of

1 achievement is, by any measure, spectacular when compared
2 to any other sector of the economy.

3 In the 1970's, while growth rates slowed in
4 virtually every sector of industry, food and fiber exports
5 were booming, growing from \$6.7 billion in 1970 to \$32 billion
6 in 1979.

7 This record was built on productivity gains every
8 year of this decade--farmers and ranchers were producing
9 for the domestic and foreign markets with greater economic
10 efficiency, less Federal intervention and, perhaps most
11 significantly, with fewer people.

12 It is this last statistic, the numbers of farms
13 and ranches that cover our rural landscape that bring us
14 here today.

15 In the 1970's we lost over 430,000 farms and
16 ranches due to a variety of factors, including business
17 failure, increased urbanization and retirement of the
18 operator.

19 The impact of the statistic has to be measured
20 by more than a mere number. One can assess the effect in any
21 number of quantitative and qualitative ways, including
22 driving through small towns and seeing boarded-up stores
23 and businesses--equal casualties of the exodus from the
24 farms and ranches of this nation.

25 In producing abundant food and fiber for this

1 nation, rural people have paid a tremendous price. Thousands
2 have lost their heritage, the type of roots that produce
3 Medal of Honor winners, statesmen, and entrepreneurs--the
4 character that has made this nation a leader on this small
5 planet.

6 We have sacrificed people in the name of economic
7 efficiency. Our system of food and fiber production con-
8 tinues to produce with little regard to social impact.

9 Yes, we are efficient and productive, but we are
10 not affluent, especially when compared to our European
11 cousins.

12 The trend lines of American agriculture are
13 clearly threatened as we move into the new decade. We began
14 to see this trend last year when shortages of basic fuels
15 threatened the planting of wheat, corn, soybeans and cotton,
16 as well as other crops.

17 This year, fuel is available, albeit at astronomi-
18 cal prices, but another villain has challenged the vitality
19 of our producers--the high cost and availability of credit.

20 It is tragic that the economy that agriculture
21 has served so well continues to bring our farmers and
22 ranchers difficulty.

23 It is clear that many of the problems that beset
24 our farm economy--problems that range from adequacy of
25 capital and energy supplies to a faltering transportation

1 system--would not be as severe if the national economy
2 were performing without soaring balance of payment deficits,
3 sagging productivity and other economic problems that
4 plague us.

5 Unless our national economy attains a firmer
6 footing, continued stress for the farm sector will be the
7 norm rather than the exception.

8 Internally, the farm economy is faced with a
9 myriad of problems, some familiar, others new. There is
10 continued talk of dwindling energy supplies, especially
11 in the area of fossil fuels.

12 Economists project shortages of capital. Our
13 crop scientists tell us that our yields of major commodities
14 will stabilize.

15 And soil conservationists warn of another dust
16 bowl. These are problems that we will have to struggle with
17 in the next 10 years.

18 The decade of the Seventies did have one new,
19 bright note for rural citizens. Nonmetropolitan areas began
20 to grow faster than metropolitan areas, a trend that
21 represents a reversal of the previous thirty years.

22 This is encouraging for many reasons. The types
23 of businesses that small towns have been able to attract
24 offer new hope for many rural residents.

25 For example, they have brought improved health

1 care. Further, these businesses have strengthened the farm
2 economy itself by providing off-farm income for hundreds of
3 thousands of farmers and ranchers and many agricultural family
4 members, permitting them to continue their farming or ranching
5 operation when they otherwise would have had to cease
6 functioning.

7 In addition, five percent of the new in-migrants
8 are themselves employed in agriculture. Unfortunately,
9 this growth in the nonfarm sector for Rural America has
10 presented a new problem, essentially, of attitude.

11 The problem is that policymakers believe that
12 Rural America is less reliant on the farm sector; therefore,
13 policies should be less concerned about the vitality of the
14 farm economy.

15 This attitude fails to recognize that the farm
16 economy still underpins Rural America and that failure to
17 understand the interaction of the two invariably will lead
18 to poor policies and programs.

19 While definitive information is not available,
20 it is clear that many of these small businesses are closely
21 connected with agriculture.

22 Many of these businesses supply inputs--ranging
23 from insurance to fertilizer to implements--to agriculture
24 or the key parts of the food chain from the farm gate to
25 the retail customer.

1 It is my sense that we find American agriculture
2 at a crossroads as we begin this decade. Perhaps we have never
3 been at a crossroads as important as this, with the possi-
4 ble exception of the Great Depression.

5 We have three apparent choices, none of which is
6 particularly new. But the choice we make will affect the
7 face of Rural America in significant ways, leaving our
8 children a legacy that will undoubtedly affect future
9 generations.

10 These choices are constrained by the basic values
11 that we as Americans share. Those basic values are as
12 important today as they were two hundred years ago--values
13 of freedom of choice and recognition of the right of private
14 property.

15 Any policy approach beyond the constraints imposed
16 by these values is doomed to failure because such an
17 approach will not have the confidence of the American
18 people.

19 The three choices include modeling our agriculture
20 along European lines, opting totally for free enterprise
21 agriculture or modifying incrementally the basic set of farm
22 policies that we have on the statute books today.

23 I will discuss each of the three briefly. The
24 European approach would require a massive underwriting of
25 agriculture by the Federal Treasury.

1 Implicit in such an approach would be a lengthening
2 of the already long arm of Washington. Such an approach
3 would require smaller farming operations than is typical
4 today.

5 Further, such a system would imply insulation of
6 our agriculture from the realities of the world marketplace
7 at tremendous cost to the role of the U. S. in the world
8 economy and with inordinate expense to the consumers.

9 Despite what we may feel about such an approach
10 in our souls, the political obstacles to formulating and
11 implementing such a system are forbidding.

12 Today, only one out of 25 Americans is a farmer
13 or a rancher. U. S. consumers pay about 16 percent of
14 their income for food, less than half of what European
15 consumers spend.

16 For obvious economic reasons, it is unlikely that
17 U. S. consumers would want to go along with the type of
18 massive restructuring implied in the European model.

19 The second choice is a totally free enterprise
20 approach to agriculture. There is a lot to recommend such
21 an approach.

22 However, the implications of such a model must be
23 carefully analyzed. Essentially, the free enterprise
24 model would mean that we would ultimately function with about
25 100,000 farmers who would employ about one million farm

1 workers.

2 This could be achieved without any conceptual
3 breakthroughs in technology simply by replicating the
4 largest units of agriculture that exist today in many parts
5 of the nation.

6 Consumers would likely be the first to oppose
7 implementation of such a model. Clearly, such a model would
8 imply enormous power concentrated in a very few people.

9 Further, the concentration of land in a relatively
10 few hands would pose questions of structural implications
11 heard more often in South or Central America rather than
12 in the U. S.

13 Finally, there is the prospect of incremental
14 modification of current policies. By now, it should be
15 clear that I believe, along with the governors of this
16 country, that this is where the best hope lies.

17 Radical changes from the status quo in either
18 direction are likely to disrupt our system of food and
19 fiber production in a manner that could scar the nation in
20 ways that cannot be currently foreseen.

21 Now this does not mean that I condone the status
22 quo. At present, the National Governors' Association
23 Committee on Agriculture, of which I am a member, is
24 working hard to develop a full set of farm and ranch
25 policies in anticipation of the farm bill debate.

1 These policies will be promulgated at NGA's
2 annual meeting in Denver on August 3-5. The policies that
3 will be addressed there will touch a range of issues that
4 affect production agriculture from research to international
5 marketing.

6 There is, however, one area of policy that I
7 believe needs significant revision. That area concerns our
8 ability as a nation to attract new entrants into farming and
9 ranching.

10 I am encouraged that there are significant
11 numbers of young people, as evidenced by enrollment in agri-
12 cultural studies at colleges around the nation, who would
13 prefer such a life and could contribute to our nation's
14 wellbeing by selecting such a vocation.

15 To provide proper incentive for such individuals,
16 we need to develop an economic environment of promise and
17 hope, underpinned by new sources of stable financing and
18 changes in the tax laws that foster the kinds of concentration
19 of land that occurs today.

20 It is our goal to address some of these tough
21 issues in Denver. Further, it is clear that farmers and
22 ranchers deserve clearer signals from Washington about the
23 intentions of Government.

24 Ad hoc policymaking, however well-intentioned,
25 serves only to disrupt confidence. Further, there is

1 concern that current Federal policies are misunderstood.

2 This is the case with regard to loan levels and other
3 price support mechanisms. Farmers continue to look upon the
4 loan level as the primary instrument of Government support
5 of agriculture when, in reality, such is not the case.

6 We have to develop policies and programs that
7 farmers can understand before we in Government can expect
8 support from those we serve.

9 There has not been adequate time to address a
10 number of important issues that concern me. We need
11 strengthened commodity marketing programs, more appreciation
12 for the role of farmer cooperatives, and expanded agri-
13 cultural research and extension, to name just a few.

14 In conclusion, it is clear to me that farming and
15 ranching are of critical importance to our national well-
16 being, from Maine to California and from Florida to
17 Alaska.

18 If it had not been for the strong record of our
19 agriculture in the 1970's, our economy would be in total
20 disarray.

21 We need to take this message to the consuming
22 public. It is with hope and not despair that I conclude my
23 comments.

24 We have faced adversity before and survived. It
25 is the nature of our people that we accept challenges fully

1 and responsively, with the creativity and strength that are¹¹⁶
2 a part of our character.

3 Thank you, Mr. Secretary.

4 SECRETARY BERGLAND: Thank you very much,
5 Governor. I congratulate you for preparing a very
6 reflective, carefully thought out statement, and now
7 to Governor Clinton, and then if there is time, we will
8 go to questioning of both of you.

9 STATEMENT OF GOVERNOR WILLIAM CLINTON, GOVERNOR OF ARKANSAS

10 Thank you very much, Mr. Secretary. At the outset,
11 I should state that I am here substituting for another
12 governor on our Agriculture Committee who was not able to
13 come, that unlike Governor Carlin, I myself am not a
14 farmer, but I have tried, in representing the people of
15 my state, to come to grips with the problems they face.

16 And with that, I would like to offer the following
17 statement. It is indeed an honor for me to appear today
18 on behalf of the people of my state and the Agriculture
19 Committee of the National Governors' Association.

20 I want to commend the Administration for its
21 commitment to examining the problems of both producers and
22 consumers in the agriculture sector of our economy, and I
23 want to express my personal thanks to you for your holding
24 these hearings and for your evident commitment to family
25 farms and American agriculture.

1 Historically, public discussion of agricultural 117
2 policy has been emotionally-laden, and the level of the
3 rhetoric at previous hearings has often been heated.

4 While speakers have discussed and advocated a
5 number of policy options and national goals, most have
6 acknowledged that changes have occurred in the structure of
7 American agriculture during the last 50 years.

8 Although witnesses have differed as to the desira-
9 bility of those changes, in the proceeding hearings there is
10 virtual unanimity that the following changes have taken
11 place:

12 First, the number of farming units decreased from
13 6.8 million during the mid-1930's to only 2.3 million today,
14 and the average size of the farming unit is increasing.

15 In Arkansas, for example, it has been estimated that
16 between 1978 and 1980 we lost 2,000 farms while the average
17 acreage of the remaining units has increased from 286.4 to
18 294.7.

19 Two: Concentration of markets has reduced price
20 competition for both producers and consumers.

21 Three: More commodities are moving into highly
22 integrated structures.

23 Four: Rising prices of land, fuel, and machinery
24 and the cost and availability of credit have presented barriers
25 to both entering and leaving agriculture.

1 Mr. Jack Justus of the Arkansas Farm Bureau testified
2 during the December 6th hearing that the average age of the
3 Arkansas farm operator is 51.6 years, and it is becoming
4 increasingly difficult for young people to enter agriculture
5 in Randolph County, Arkansas, just as it is in Roseau County,
6 Minnesota.

7 Five: The production sector has a greater
8 dependence on purchased inputs and is less able to sustain
9 downturns in selling prices.

10 Six: Increased crop specialization has also
11 reduced the ability of producers to sustain losses.

12 Seven: Our deliberate entry into foreign markets
13 to solve world food problems and help balance our nation's
14 trade patterns has made the producers much more dependent
15 upon the nuances of international and diplomatic policy
16 changes.

17 The structural changes above can, to some degree,
18 be attributed to policies promulgated and implemented by the
19 Federal Government.

20 Oftentimes, Congress has acted to address very
21 real and very serious symptoms and has unintentionally
22 exacerbated the structural problems.

23 At other times, structural problems have been
24 addressed directly, with varying degrees of success. Seldom
25 have we been able to coordinate our food policy with our

1 farm policy, and often it seems that we have confused the
2 two.

3 J. B. Penn, who is sitting with you, an outstanding
4 agricultural economist with your Department and a native of
5 Strawberry, Arkansas, has identified a number of structural
6 issues of concern to society, both producers and consumers,
7 which I believe integrate performance standards for food
8 policy and farm policy.

9 Those performance characteristics are: First,
10 quantity, quality, and price of food available for domestic
11 and foreign consumers.

12 Second, efficiency of resource use and contribution
13 to national economic growth.

14 Third, care and preservation of the environment.

15 Fourth, relationship to rural communities.

16 Fifth, flexibility and adaptability -- the
17 ability to respond to changing consumer preferences, to
18 adopt new technologies, and to withstand shocks.

19 In short, consumers want a safe, nutritious,
20 affordable supply of food and farmers want to be able to
21 produce it.

22 Both groups are concerned about the quality of
23 life, both physical and social, and their goals need not
24 be incompatible.

25 In trying to achieve these mutual goals of both

1 producers and consumers, we have often created artificial
2 barriers between the groups and among the various sectors
3 of each group.

4 National food and fiber policy, when such a policy
5 was distinguishable, seems to have too often treated agri-
6 culture as a single monolithic entity when, in reality, it
7 most certainly is not.

8 But as you have recognized, it is composed of various
9 structures. There are, in my opinion, four very clear types
10 of agricultural production units which can be identified
11 without getting into arguments over the definition of small
12 farms or family farms or giant agri-business, and each type
13 has different problems which must be considered in forging a
14 comprehensive agricultural policy for our nation.

15 These four types are: First, small farms. Usually
16 family farms, and usually supplemented by other types of
17 income.

18 These units are generally labor-intensive, not
19 particularly interested in expansion, and have little need
20 for large amounts of capital after entry.

21 The primary needs of this segment are new and diverse
22 markets and marketing strategies. States have sometimes been
23 successful in providing technical assistance, through such
24 programs as farmers' markets, state procurement strategies,
25 and direct marketing assistance.

1 I would like to enter into your record copies of two
2 publications from my state which address the problems of this
3 sector from two different perspectives.

4 The first is a document entitled "The East Arkansas
5 Produce Marketing Association: "A Case Study for Planning
6 and Operating a Cooperative Marketing Association of Limited
7 Resource Small Farms."

8 It was funded by the Ozarks Regional Commission upon
9 my recommendation, and I believe it can serve as a model
10 marketing strategy for such groups in every state.

11 The second is entitled "Uncertain Harvest: The
12 Family Farm in Arkansas." It is a collection of case
13 studies and philosophical observations published by the
14 Ozark Institute, an organization which also operates a Family
15 Farm Development Service funded by CETA.

16 Second, and dominating agriculture in my state,
17 is commercial mainstream agriculture. This sector, while
18 often family owned, as 91 percent of Arkansas farms are, is
19 full-time, larger-scale farming, and it is most often the
20 only source of income for the operator.

21 The major policy-related problems for this sector
22 are those associated with price uncertainty, although energy
23 supply and price questions and credit costs and availability
24 are also urgent concerns today.

25 Third, integrated agriculture. This sector also

1 special needs which differ from the two above. This sector
2 has special needs and problems you have doubtless considered,
3 but also is quite vulnerable to price fluctuations and,
4 therefore, to Government policy changes.

5 Fourth, large corporate agriculture. It is obvious
6 that this sector has proved itself most able to deal with
7 problems of price fluctuation, credit costs and availability,
8 energy, and marketing for reasons that go beyond actual
9 productivity of farming operations.

10 If I might, I would like to quote Mr. Penn's
11 statement: "Most of the technical efficiencies available
12 from the combination of resources of agriculture production
13 can be realized by farms of relatively modest size. Once one
14 attains the size, agricultural commodities cannot be produced
15 more cheaply even if the farm becomes larger."

16 As you come to decisions on whether to do anything
17 about the rapidly and consistently changing structure of
18 American agriculture, and if so, what to do, I hope you will
19 settle on a course which will permit real effective freedom
20 of choice for those farmers whose private enterprise and
21 ingenuity have been at the core of our economic and social
22 prosperity.

23 I hope you will encourage those who wish to remain
24 in or enter the ranks of small farmers or commercial mainstream
25 farming to do so.

1 I believe this can be done without undermining
2 the legitimate interests of the integrated operations or large
3 agri-businesses and, in fact, would require some changes
4 which would also prove beneficial to them.

5 Specifically, I think you should consider policy
6 changes in the following areas as they impact on the struc-
7 ture of our agriculture:

8 First, the loss of farmland. The recent National
9 Agricultural Lands Study indicates that farmland, including
10 prime farmland, disappeared at an alarming rate in the decade
11 1967-1977.

12 If this trend continues, it will mean even greater
13 difficulties for individuals who want to stay in or take up
14 farming; long term, perhasp permanent reduction in the
15 productive capacity of the agricultural sector and therefore
16 in the strength of our international trade position; and the
17 increased possibilities of a serious world food shortage
18 within the next 20 years.

19 The Government should review all its policies and
20 reduce those factors which encourage loss of farmland while
21 increasing opportunities to those who wish to farm and can do
22 so productively.

23 Second, research. According to a recent report
24 in the Christian Science Monitor, there was a decline in real
25 dollar terms in agricultural research investment by USDA in

1 the 1970's.

2 If this trend is not reversed, our relative
3 productivity could decline and many serious problems, such
4 as the steady loss of topsoil in many areas could go
5 unresolved.

6 I applaud the USDA's decision to target research
7 efforts to benefit family farmers more, as evidenced by your
8 efforts to establish a small farm research center in Booneville,
9 Arkansas.

10 However, I would emphasize that even for small
11 farmers, mechanization has an important role to play. Indeed,
12 fresh fruit farmers in my state and others may be able to
13 stay in business because of such aid.

14 Three: Energy. Rising costs and uncertain supplies
15 obviously aggravate structural terms away from small and
16 family farmers.

17 There are, however, in the present condition the
18 seeds of opportunity for these same farmers. Real and
19 presently available options for energy conservation and the
20 development of renewable resources offer farmers the chance
21 to make their operations less capital-intensive and more
22 self-sufficient.

23 Government should encourage farmers to pursue these
24 options by programs and incentives that promote energy
25 efficiency in farm buildings and machinery and energy

1 production from solar, wind, wood, farm and animal wastes,
2 et cetera.

3 The interest among farmers in energy is running at
4 flood tide. Recently at an Alcohol Fuel Fair in Little
5 Rock, about 3,000 farmers from all over our state came to
6 learn from each other as well as the experts about alcohol
7 and methane production.

8 They came for survival. They understand that
9 energy production and consumption habits have structural
10 implications.

11 Finally, I agree with those members of Congress
12 who are urging an increase in our petroleum reserves, with
13 appropriate agricultural priorities.

14 Fourth. Market. As I mentioned above, different
15 kinds of farms have different market concerns. Small farms
16 breed local marketing opportunities and assistance.

17 Enough work has been done in this area to show that
18 innovative marketing strategies can provide opportunities
19 for efficient small producers.

20 Two two studies I submit with my testimony outline
21 areas where increased effort would significantly increase
22 the possibilities of preserving many small farming operations
23 and allowing others to begin.

24 With regard to foreign markets, both individual
25 commercial farmers and other agricultural interests need

1 the same policy, though the individual farmer's survival ¹²⁶ may
2 depend upon it more.

3 The President's stated position on the Soviet
4 embargo, that farmers should shoulder the burdens of political
5 interruptions of the market, should be the actual position
6 of present and future administrations.

7 The administration's adherence to this policy has
8 not been uniform. For example, its efforts with regard to our
9 poultry producers have fallen far short of the mark and the
10 adverse impact on those companies and the many thousands of
11 small growers who work for them has been severe.

12 Five. Credit. Government policy has long
13 recognized the special nature of farm credit needs. Recent
14 administration actions indicate an awareness that tight money
15 and very high interest rates standing alone may well dampen
16 inflation, but only at the expense of weakening the sector
17 which is perhaps the most productive and, therefore, the
18 least responsible for inflation.

19 Again, these credit policies have definite
20 structural implications.

21 Six; Regulations. Obviously, the pattern of
22 governmental regulations has structural implications,
23 regardless of their substantive merits or demerits.

24 Many times such regulations will favor larger
25 corporate operations if only because only they can

1 accommodate the costs and perplexities.

2 For example, I have worked for several years to
3 help our tomato farmers in Southeast Arkansas comply with
4 Labor Department rules for employing legal alien labor to
5 harvest the tomato crop.

6 The rules are designed to promote two worthy
7 objectives: discouraging the use of low cost foreign labor
8 when there is an available supply of workers in the area,
9 and ensuring the health and safety of those aliens who are
10 permitted to work.

11 In practice, many farmers who have tried to comply
12 with these rules have had limited success in doing so, and this
13 is one of the reasons for the decline in the number of producers
14 and the acreage under production.

15 Some progress is now being made in housing due
16 to help our state is providing which Senator Bumpers worked
17 to obtain.

18 The lessons of this and similar experiences are:
19 One, the Government should assess the structural impact of its
20 regulations; two, wherever possible, regulations should be
21 tailored or compliance with them subsidized to prevent
22 further reduction in the numbers of independent farms;
23 three, at least there should be a clear admission that regula-
24 tions are being implimented in spite of their adverse impact
25 on the farm structure because of other overriding purposes.

1 Seven: Farm programs. I believe our farm policy
2 has the same affliction which has characterized much of our
3 decision-making both in and out of Government.

4 It plays too much to the short run. In trying to
5 adopt support programs on a yearly basis, some producers are
6 always hurt badly enough to give up farming.

7 Thus, our policy has profound structural implica-
8 tions. In 1978, our former Senator Hodge, authored a bill
9 in cooperation with Mr. Jim Synie and others in the American
10 Agriculture Movement which would have provided for long-
11 term, multi-year loans to bridge the years of fluctuation
12 between excessive and inadequate production.

13 We must provide this kind of framework for longer
14 term flexibility and planning to our producer if we wish to
15 show the reduction in their numbers and the increasing con-
16 centration of production in fewer and fewer hands.

17 From what I have said, it should be clear that,
18 coming from a state where individual and family farms still
19 dominate the landscape, I do believe there are structural
20 problems with agriculture; that many of these are caused
21 directly or indirectly by Government action; and that change
22 in Government policies can reverse or at least stall the
23 decline of individual farmers without undercutting the
24 legitimate interests of integrated operations and other
25 agribusinesses or bringing stifling Government interference

1 into the independent, ingenious, highly productive lives of
2 our farmers.

3 I applaud your concern, Mr. Secretary, and I wish
4 you well in your efforts to get results.

5 SECRETARY BERGLAND: Thank you very much,
6 Governor Clinton. I understand you both have airplanes to
7 catch shortly, and these are provocative statements. You
8 raise many questions in my mind, and we don't have time
9 to explore this afternoon in depth.

10 May I simply say that we are keenly interested
11 in your conference in Denver, and if there is anything we
12 can do to provide your conference with technical help --
13 and we don't want to get in your way, but some of this is
14 very sophisticated, and if you need some help from us,
15 economic analyses, we will offer up J. B. Penn, who has --

16 GOVERNOR CARLIN: For sacrifice?

17 SECRETARY BERGLAND: He has certain limited
18 skills we are willing to share with you or others in our
19 Department who might be useful in this exercise and look
20 forward to those recommendations because by that time of
21 the year we will be involved in the final decision-making
22 process and will be well on the track of having many of
23 these economic studies completed.

24 So we certainly do appreciate your attendance
25 here today, and my congratulations to both of you for

1 carefully prepared statements. Most helpful. Thank you ¹³⁰
2 very much.

3 GOVERNOR CLINTON: Thank you.

4 GOVERNOR CARLIN: Thank you, Mr. Secretary.

5 (Applause)

6 SECRETARY BERGLAND: The first panel this after-
7 noon is made up of Mr. Allen Aves, President, American
8 Soybean Association; Mr. Irv Elkin, President, Associated
9 Milk Producers Association; Mr. Herman Propst, President,
10 National Cotton Council; Mr. Eldon Netz, Member of the
11 Board of Directors of the National Milk Producers Federation;
12 John Saunders, Vice President, National Pork Producers
13 Council, and Tom Barlow, Senior Project Staff of the
14 Natural Resources Defense Council.

15 Gentlemen, the rules are five minutes each, if
16 you confine yourself to that, please. Your more extensive
17 detailed statement will be, of course, put in the record
18 as prepared,

19 At the conclusion of your testimony, we will then
20 question you individually, and if that suits you, we will
21 proceed first with Mr. Aves from the American Soybean
22 Association.

23 STATEMENT OF ALLEN AVES, PRESIDENT, AMERICAN SOYBEAN
24 ASSOCIATION

25 Thank you, Mr. Secretary. My name is Allan Aves,

1 and I appear here today in my capacity as President of the
2 American Soybean Association.

3 I am a farmer from Kirkland, Illinois, where I raise
4 soybeans, corn and hogs. The American Soybean Association
5 is very concerned with what the future may hold for American
6 agriculture.

7 Farmers today are affected by economic, political and
8 global factors more than ever before. At home farmers are
9 seeing interest rates at an all time high, energy prices at
10 record levels and increased Federal and state regulation.

11 After a decade of actively developing foreign markets,
12 they are seeing those markets closed to them for political
13 reasons, with a corresponding decline in commodity prices.

14 By necessity, farmers are being forced to be more
15 efficient in their farming operations in order to make a living.
16 Farmers are having to spend more time planning cash flow,
17 marketing and complying with Government regulations.

18 A small farmer is finding it very difficult to do
19 all these things and still produce a crop. This will result
20 in an increase in the amount of non-farming time farmers must
21 spend.

22 The American Soybean Association feels the way for
23 farmers to remain competitive is to realize a greater return
24 for their crops.

25 ASA believes the greater income will come from

1 expanded reliance on the free market system rather than on
2 increased intervention in the marketplace.

3 The growth of the soybean industry in the United
4 States is an excellent illustration of how the free market
5 system can work to increase farmer income.

6 In 1955 U. S. farmers harvested only 373.7 million
7 bushels of soybeans from 18.6 million acres. In 1979 farmers
8 harvested over 2.2 billion bushels of soybeans from 70
9 million acres of cropland.

10 In only 24 years American farmers have expanded
11 soybean acreage in the U. S. by over 276 percent and
12 increased soybean production by over 488 percent.

13 The growth of the U. S. soybean industry has, to a
14 large extent, occurred at the expense of other commodities.
15 In 1955, of U. S. cropland planted to the four major
16 commodities, 12.3 percent was planted in soybeans compared
17 with 45.3 percent for corn, 11.1 percent for cotton, and
18 31.2 for wheat.

19 In 1979 soybean acreage amounted to 32.8 percent
20 compared to 32.3 percent for corn, 5.8 percent for cotton, and
21 29.0 percent for wheat.

22 The growth in soybean acreage has resulted in
23 a relative decline in acreage of the three other major
24 commodities grown in the United States.

25 This phenomenal growth in U. S. soybean acreage

1 has occurred primarily from free market forces. Unlike other
2 commodities, soybeans have been relatively free of Federal
3 price supports since 1955.
4

5 Today the only price support mechanism in effect
6 for soybeans is the loan program and the market price for
7 soybeans has normally been well above the loan level.

8 There is no target price for soybeans and one has
9 never existed because soybean producers have opposed this
10 program.

11 Also, there is no reserve program for soybeans for
12 the same reason. Soybean production in the United States
13 has grown more rapidly than any other commodity.

14 The increase has been spurred on by rapidly
15 increasing world demand, which has, in turn, caused higher
16 soybean market prices.

17 Farmers have responded to these higher market
18 prices by increasing their production. Periodically, prices
19 have declined as a result of temporary oversupply situations.

20 In those years farmers have responded by reduicng
21 their production. The free market system has benefited
22 American soybean producers by providing them with adequate
23 income from their soybean production.

24 While the free market system provides the incentive
25 for very good prices, it also includes a risk of low prices

1 if world production outstrips demand.

2 Faced with the risk of low prices, investors have
3 been hesitant to continue expending large amounts of money
4 necessary to clear and cultivate land in South America.

5 While it is true that large increases in South
6 American soybean production have occurred, the majority of the
7 growth was initially stimulated by U. S. intervention in the
8 free marketplace in 1973.

9 The current embargo on shipments to the Soviet
10 Union is expected to again stimulate large investments in
11 South American oilseed production, at the expense of U. S.
12 soybean producers.

13 Mr. Secretary, the American Soybean Association
14 feels future commodity programs should involve greater
15 reliance on free market forces.

16 Programs which stimulate domestic and foreign
17 production through high loan levels should be avoided. The
18 loan level should be high enough to protect soybean producers
19 from financial ruin during any one year, but not so high as
20 to interfere with normal price trends.

21 The Federal Government should not interfere through
22 the use of export embargoes or other restrictions. The
23 result will be a more profitable agricultural industry and
24 a more efficient American food production system.

25 The Federal Government can do one thing, in

1 particular, to help American farmers in the future. 135
2 America's transportation system threatens to become the largest
3 single limiting factor to increased U. S. agricultural
4 production and exports.

5 Without a means to efficiently move farm commodities
6 to urban areas and to the ports, farmers can only look forward
7 to lower than optimum prices.

8 Federal assistance to revitalize America's railroad
9 and expand U. S. barge shipping capacity is mandatory if we
10 are to offer farmers the opportunity for profit and expansion
11 of U. S. agricultural exports in the future.

12 Thank you, Mr. Secretary.

13 SECRETARY BERGLAND: Thank you. Now Mr. Irv Elkin.

14 STATEMENT OF IRVIN ELKIN, PRESIDENT, ASSOCIATED MILK
15 PRODUCERS, INC.

16 Thank you, Mr. Secretary. I am Irv Elkin,
17 President of the Associated Milk Producers, Inc. Hard working
18 dairy farmers, working within the system, dairy price
19 stabilization program, Federal milk marketing orders, and
20 import controls, have achieved unparalleled productivity.

21 The performance of the National Dairy Price
22 Stabilization Program has an excellent record of service
23 to U. S. consumers.

24 The program is not designed to keep dairy farmers
25 in business, but rather, it has successfully achieved its

1 goal of assuring consumers of an adequate supply of domesti-¹³⁶
2 cally produced milk at a reasonable price.

3 In fact, thousands of dairy farmers have exited from
4 dairy farming, but even with these reductions, dairy farming
5 is less concentrated than literally all other commodities
6 and those remaining can point with pride to a productivity
7 rate accomplished by few.

8 One cornerstone to such a desirable level of
9 productivity is the assured stability accomplished through the
10 price stabilization program.

11 This system has provided us with improved herd
12 genetics, modernization of milking facilities, and wide-
13 spread scientific formulated feed rations.

14 I certainly agree with President Carter when he
15 says that productivity is the key to curbing inflation.
16 This is reflected in the resulting consumer benefits in milk
17 and dairy products cost that are below "All Items," "All
18 Food," and "Non-Alcoholic Beverages" in the Consumer Price
19 Index and "real" prices have been cut in half since 1950.

20 Critics of the dairy stabilization program have said
21 that dairy should not be treated any different than other
22 commodities.

23 That view is incorrect--dairy is different. Milk
24 is highly perishable so it must be sold from the farm
25 quickly or it is lost.

1 Alternative buyers for milk are few. Other
2 differences for dairy farming are: usually requires a large
3 investment in unique production equipment, decision to raise
4 heifers for producing herd must be made two years in advance,
5 one way production "capability" reaction--easy and quick
6 "to get out" but slow "to get in" and the social impact that
7 fewer individuals are willing to milk cows twice a day every
8 day of the year.

9 Incompatible seasonal variations between milk
10 supply and milk demand create market conditions under which
11 totally free-market prices send incorrect signals to both
12 producers and consumers.

13 The milk price stabilization program prevents
14 erroneous farmer reaction to unrealistic temporary price
15 changes, which would be emitted by free-market prices.

16 If the price stabilization program is to continue
17 its good record of stability and service to the general
18 public, it must be recognized that certain volumes of dairy
19 products must be removed from the market in those periods
20 of unavoidable cyclical high production.

21 The current quantity of CCC purchases of dairy
22 products are generally below calendar 1977 purchases and they
23 are comparable to the 10-year average of CCC purchases.

24 In effect, nothing really abnormal is taking
25 place now except that the current inflation rate has created

1 a reactionary environment which threatens this long-
2 established and successful system.

3 Federal milk market orders are essential to price
4 stability in fluid milk markets. Market orders provide the
5 most honest system of milk settlement that has ever existed
6 in this country.

7 Governmental authority to verify reported usage of
8 milk is absolutely essential to the function of adequately
9 supplying consumer needs for fresh fluid milk.

10 It is very discouraging to have this aspect of the
11 system that has worked so well for both consumers and
12 farmers attacked by headline-seeking inflation fighters and
13 used as a fund raising gimmick by some unscrupulous con-
14 sumer groups, when their real interest is not consumers or
15 prices, but preservation of their own anti-productive
16 organization.

17 Import controls have been weakened or in some cases
18 ignored. One factor contributing significantly to CCC
19 purchases is additional dairy imports.

20 Concessions in the MUN Agreement will require our
21 system to absorb an extra billion pounds of milk equivalent
22 in 1980 and unrestricted imported casein will displace and
23 cause CCC to purchase some 300 million pounds of domestic
24 non-fat dry milk.

25 While short-run considerations of inflation

1 problems may cloud the issue, it must be remembered that the
2 best long-run potential for supplying U. S. consumers with
3 dairy products at lowest cost rests with a healthy and
4 productive dairy industry.

5 Obviously, Mr. Secretary, under the present system
6 programs have endured the test of time. Mr. Secretary, with
7 your permission, I will submit a detailed written statement
8 regarding the structure of American agriculture as it relates
9 more specifically to dairy.

10 We will address point by point each question
11 raised. Thank you.

12 SECRETARY BERGLAND: Thank you very much. Now
13 Herman Propst.

14 STATEMENT OF HERMAN PROPST, PRESIDENT, NATIONAL COTTON
15 COUNCIL OF AMERICA

16 Mr. Secretary, I am Herman Propst, a cotton, grain,
17 and livestock farmer from Anson, Texas, and president of the
18 National Cotton Council which, as you know, represents cotton
19 producers, handlers, and processors from coast-to-coast.

20 In our detailed statement submitted for the record,
21 we pointed out that the current market-oriented cotton
22 program is serving the nation well.

23 It has kept supply and demand in better balance
24 than did the previous high price support/acreage allotment
25 programs.

1 And when inflation and Government costs are taken
2 into account, the real cost of cotton to consumers has
3 declined.

4 In addition, the program has provided an economic
5 environment which has allowed cotton's market sharing position
6 to improve.

7 Cotton producers and all other segments of our
8 industry overwhelmingly support the concepts of the present
9 program and want it to continue.

10 This afternoon we want to concentrate most of our
11 remarks on the damages that would occur if commercial farms
12 are severely handicapped or broken up to achieve so-called
13 social goals.

14 I can think of no goal more worthwhile or more
15 important to the people of the world than that of providing
16 adequate food and fiber.

17 American sgriculture has done an incredible job
18 of producing food and fiber at a rate unequalled by any other
19 country.

20 We export more farm products than any other nation
21 in the world. American farmers today produce over 64 percent
22 more crop output than their fathers did on the same number
23 of acres.

24 One hour of farm labor produces 13 times as much
25 food and other crops as it did 60 years ago and seven or

1 eight times as much as an hour of Russian farm labor today.¹⁴¹

2 But if we take a step backward by reducing and
3 limiting farm size, our production of food and fiber will
4 decline and its costs will be higher.

5 And when that occurs, how many more millions of
6 people around the world will be unable to afford a good diet
7 and how many more are going to starve?

8 This is a vital question for agricultural policy-
9 makers. Another vital question is the effect farm size limits
10 would have on inflation. Unquestionably, one of the most
11 effective ways to curb inflation is to hold down costs by
12 increasing production efficiency.

13 This helps keep consumer prices in check and makes
14 us more competitive in export markets. A recent Council
15 study compared the relative efficiency of small and large
16 cotton farms in three representative areas of the Cotton Belt.

17 In the Mississippi Delta, the total production costs
18 for cotton and soybeans on the smallest farm were 12 percent
19 and 22 percent higher, respectively, than on the largest farm.

20 On the smallest farm in the Texas High Plains, the
21 costs of growing cotton and grain sorghum were 23 percent and
22 26 percent higher.

23 Commercial farmers simply have more flexibility and
24 more options in combining resources which minimize cost. This,
25 in turn, means lower consumer costs for food and fiber.

1 Farm census data also indicate that cotton yield¹⁴²
2 increases with farm size. In some states, yields on larger
3 farms averaged over 40 percent more than on smaller operations.

4 And in all 14 major cotton-producing states, the
5 largest farms had yields 19 percent higher on an unweighted
6 average basis.

7 We have shown that, at the same yield levels,
8 larger cotton farms on the average have lower production costs
9 than smaller farms.

10 We also have shown that average yields on farms with
11 larger cotton acreage are higher than on those with less
12 cotton.

13 Taken together, the greater efficiency of resource
14 use and the higher yields of the larger farms mean very
15 substantially lower costs.

16 We must recognize that there are efficient operations
17 of every size -- from several acres to several tens of
18 thousands of acres -- depending on soil, climate, management
19 capability, and other factors.

20 Greatest overall efficiency is obtained by allowing
21 each operation the freedom to develop a whole array of
22 resources to its maximum benefit.

23 This is the genius of the American system, and it
24 has given us an agriculture that is the envy of the world and
25 one that is essential to feeding and clothing the world.

1 Why is agriculture being singled out for special
2 attention to its structure? In the nation's manufacturing
3 sector, for example, the largest 50 firms account for a
4 fourth of all value added by manufacture.

5 In contrast, the largest 50,000 farms account for
6 only 36 percent of farm cash receipts. Is agriculture getting
7 attention to its structure because it is more vulnerable to
8 Government manipulation than other sectors?

9 Is it because more direct Government benefits come
10 to agriculture in the form of price supports, irrigation
11 facilities, and so on, and through threat of withholding these
12 benefits, Government can more easily control?

13 Will the next target be the oil industry or
14 automobiles or steel? And if Government is successful in
15 gaining more control over agriculture and other industries,
16 will the result be similar to the experience of the railroad
17 industry, whose structure has been virtually controlled by
18 Government for many years and which now, through necessity,
19 is being deregulated by Congress?

20 And even more important to the future of our nation
21 are these questions: Are we now going to say to our people
22 that the American dream has been repealed? That they can no
23 longer tell their children about unlimited opportunity?
24 That a person can no longer go as far as his talents will take
25 him? That if he chooses to farm, it will have to be on

1 x-number of acres and no more?

2 Freedom to use our talents to the maximum made us
3 the greatest nation on the face of the earth. We should think
4 long and hard before we limit that freedom. Thank you.

5 SECRETARY BERGLAND: Thank you very much. Now
6 to Mr. Eldon Netz.

7 STATEMENT OF ELDON NETZ, MEMBER, BOARD OF DIRECTORS,
8 NATIONAL MILK PRODUCERS FEDERATION

9 Dairy cooperatives have always played a vital role
10 in the formulation of dairy programs. Strong dairy coopera-
11 tives have been essential to their effective operation.

12 It is therefore of primary importance that Government
13 policy be that which will not impede the effective operation
14 of dairy cooperatives in carrying out national dairy policy.

15 This national policy can be compared to a three-
16 legged milk stool. The trio of programs which implement dairy
17 policy are the Dairy Price Support Program, the Federal Milk
18 Marketing Order Program, and a system of import restraints.

19 The orderly operation of all of these has provided
20 an effective dairy program over many years. It has assured
21 dairy farmers a degree of stability which has permitted them
22 to plan ahead.

23 It has provided the consumer with an abundant
24 supply of wholesome dairy products at reasonable prices and
25 at more stable prices than would have existed without the

1 program.

2 It has done so with a minimum of cost or Government
3 intervention. It is recognized that production is currently
4 running ahead of market requirements and that the cost of
5 Government purchases is presently rising.

6 However, it must also be recognized that events can
7 quickly change, as they have done in the past. As a result,
8 this combination of programs has been recognized by others as
9 a commodity policy which has been effective both in under-
10 writing milk production income and in maintaining the family
11 farm structure.

12 The Executive Committee of the Federation has
13 therefore adopted the following: "For dairying, government
14 programs should continue to be those which develop markets
15 on which a viable efficient operator can rely and into which
16 he can sell his products at reasonable prices, rather than
17 relying on a system of reduced market prices plus producer
18 payments, which in turn inevitably result in production
19 control programs."

20 Yet this dairy policy -- this trio of programs --
21 is not a complicated structure. It is designed to provide
22 the producer's return in the marketplace and to provide
23 stability in the pricing of a highly season commodity such as
24 milk.

25 The Dairy Price Support Program provides for

1 purchase of dairy commodities at pre-announced levels from¹⁴⁶
2 milk plants which, in turn, is intended to establish a mini-
3 mum price for milk received from farmers.

4 The Federal Milk Marketing Order Program provides for
5 a classification of pricing so as to induce milk to be moved
6 from manufacturing plants into the urban areas for fluid use.

7 The program of import restraints is to assure that
8 neither of these other programs, nor the price in the
9 marketplace, is undermined by foreign imports, many of which
10 are subsidized as they move into international trade.

11 The success of this policy can be upset, however,
12 if any of these programs is misdirected. The most flagrant
13 example of this was during 1973 and 1974 when major expansions
14 in dairy product imports were approved as an inflation con-
15 trol move.

16 The result was suppression of farm prices to the
17 point where sharp reductions in production took place. Dairy
18 farmers, demoralized by this move, with a loss of confidence
19 in these programs, did not respond to the needs of the
20 market.

21 What followed from mid-1974 to the end of 1975 was the
22 most rapid and uncontrolled escalation of dairy product prices
23 ever witnessed.

24 Today the dairy industry is concerned about an
25 effort to undermine the Federal Milk Marketing Order Program

1 through a chance in the pricing of reconstituted milk which
2 would permit such a product to carry a product price lower
3 than that for fresh fluid milk in many of the 47 individual
4 market order areas.

5 Such a move would virtually destroy the highly effective
6 market order system of pricing which has worked so well
7 and been so well accepted.

8 The Federation is continually reviewing these
9 programs so as to make recommendations, both legislatively and
10 administratively, which will update these programs to changing
11 conditions.

12 We are doing so at the present time; recommendations
13 will be forthcoming. In summary, however, we believe the
14 basic structure of these programs is sound and that it should
15 continue in the future to provide the basis for a sound
16 workable national dairy policy.

17 I am submitting a written report on the current
18 issues, and thank you, Mr. Secretary.

19 SECRETARY BERGLAND: Thank you very much,
20 Mr. Netz. And our next panelist is John Saunders with the
21 National Pork Producers Council.

22 STATEMENT OF JOHN SAUNDERS, NATIONAL PORK PRODUCERS COUNCIL

23 Mr. Secretary, ladies and gentlemen. I am
24 John Saunders, a farmer from Northwest Missouri. On behalf
25 of the half million pork producers throughout the United

1 States and the National Pork Producers Council, I first
2 want to commend you and the United States Department of
3 Agriculture Staff for initiating a series of meetings, which
4 was culminated into this summary session here today.

5 Pork producers are seeing our industry from a
6 whole different perspective today than they were a year ago
7 when the series of meetings on the future of agriculture
8 structure began.

9 We are on another side of the cycle. We have what some
10 have so aptly called a "hog crisis" on our hands. Pork pro-
11 ducers are marketing hogs at \$12.00 per head.

12 We applaud you, Mr. Secretary, for your immediate
13 response. I might point out in the first week of your
14 Purchase Program your cost to the Government was approxi-
15 mately 20 percent less than it was just last fall when you
16 purchased the same type of pork product.

17 This resulted in a savings to the taxpayer of
18 over a million dollars in just the first week of purchase
19 alone.

20 And I think this is a good example of how Government
21 and industry can work together for mutual benefit. This
22 purchase program is helping to stabilize and even improve
23 our market price, and it is a good example of how the market
24 is affected by psychological boost.

25 We are thankful that this was designed for a

1 positive effect. The grain embargo, however, had just the
2 opposite effect. Markets responded negatively long before
3 there was a bushel of grain affected.

4 The current hog crisis is initially the result of
5 over-supply. We admittedly produced ourselves into a dilemma.
6 We don't expect to ever change completely the cycles of supply,
7 but we do hope to moderate the peaks and valleys so that
8 swings in supply and market price will not be so drastic as
9 in the past.

10 The industry can manage this in time. Mr. Secretary,
11 we can talk for days about farm structure and planning for the
12 future, long term, but the question I pose is more profound
13 than it may seem.

14 I ask you and the whole agricultural complex if we
15 can't, with a reasonable degree of assurance and confidence,
16 plan short term, how can we plan the structure of agriculture
17 long term?

18 Mr. Secretary, we are here today to talk about farm
19 structure of the future. We will and are discussion a
20 variety of issues and factors affecting the size of farming
21 operations and whether the family farm will continue to exist
22 or if corporate agriculture will take over.

23 This many-faceted subject is camouflaged by a host
24 of factors. But the primary problem we face is not so complex
25 but is basic, simple and fundamental.

1 It is simply this: Where will our farm policy be
2 decided in the future? In the State Department, by the White
3 House Public Relations Staff, in the Department of Commerce,
4 by consumer activists or by the United States Department of
5 Agriculture where it should be?

6 These are problems not peculiar to the present
7 administration, but have been with us for several past
8 administrations.

9 The on-again, off-again, knee-jerking type of farm
10 policy that has frustrated farmers for 20 years will thwart
11 any plans for the structure of agriculture for the long term
12 or short term.

13 This is through no fault or reflection on your
14 part, sir, but the plain simple fact on the farm scene. It
15 requires some three years to plan a mating and market a beef
16 animal.

17 It takes 18 months to produce a gilt and market her
18 pigs. It requires a year to plan and harvest a grain crop.
19 If agriculture in America is going to feed our 220 million
20 people, long term, and export \$30- to \$40 billion of food and
21 fiber annually to help with our balance of trade, it will
22 require much greater understanding by the leaders of this
23 country and the consumers.

24 Farmers can adapt to change and cope with crisis.
25 They will not and cannot continue in business with

1 frightening uncertainty, gross misunderstanding, and almost
2 a total lack of appreciation.

3 In closing, I would say that our concern in MPCC --
4 and I am sure you can share this concern, Mr. Secretary --
5 is for the young farmer and farm families who have just
6 recently started and others who desire to start farming
7 operations.

8 Their survival is of utmost concern to the future
9 of not only our swine industry, but to the future of
10 agriculture in general and must be considered top priority
11 for any planning for long or short term structure of
12 agriculture.

13 I would like to thank you again for this opportunity
14 to appear today on the program.

15 SECRETARY BERGLAND: Thank you very much. And
16 now to Tom Barlow.

17 STATEMENT OF TOM BARLOW, SENIOR PROJECT STAFF, NATURAL
18 RESOURCES DEFENSE COUNCIL

19 Mr. Secretary, the Department of Agriculture can
20 no longer ignore the increment of soil resource wastage that
21 is a consequence of current agricultural operations.

22 Just as the Department projects tonnages of
23 production of various quantities of commodities, the Depart-
24 ment should project the volumes of soil loss that are
25 anticipated as a result of production operations.

1 The Natural Resources Defense Council urges the
2 Department to tell the Ame-ican people that long with pro-
3 jected volumes of wheat and corn that are expected to be
4 produced in a given year, the lack of varying levels of conser-
5 vation practices on the land can result in the wastage of
6 respective varying amounts of topsoil.

7 Currently, 4.8 billion tons of soil erode each year
8 from agricultural operations. This soil goes just as if an
9 earth grader started at one edge of the continent and shaved
10 the soil off the land as it moved to the other end of the
11 continent each year.

12 Does this loss of topsoil involve land use planning?
13 It certainly does. Without conservation practices installed
14 on the land and operated properly throughout the year, the
15 farmer can anticipate varying tonnages eroding from his
16 fields just as he plans for yields from the seeds he is
17 planting.

18 Does this loss of topsoil constitute federal land
19 use planning? It certainly does to the extent that the
20 Federal Government with its loans, price supports, crop
21 insurance and all the other financial underpinnings it
22 provides to keep the farmer producing, to the extent that the
23 Federal Government enables the farmer to keep stripping the
24 topsoil from his land every year.

25 America's farmer have shaved the topsoil profile down

1 rapidly in recent decades. The rate of loss has reached
2 crisis levels and the soil inventory that remains must have
3 better safeguards.

4 An increasing national and world population wants
5 to purchase the productivity of this resource base. Farmers
6 are dependent on the vigor of this resource base.

7 The cost of fertilizers is rising sharply. When
8 commodity prices fall, as they do periodically, one of the
9 ways to reduce the cost of production to try and sustain
10 profits is to cut back fertilizer expenditures.

11 But the soil resource quality must be there when
12 fertilizer usage is reduced or production falls and the
13 farmer faces financial losses.

14 And as one farmer depletes the land and sells the
15 land to another farmer, that farmer is unknowingly saddled
16 with higher costs of production if he is going to stay in
17 business.

18 We would like to explore the extent to which current
19 agriculture commodity programs coerce soil losses. With no
20 requirement for the application of conservation practices on
21 the part of the farmer in return for receiving the Federal
22 assistance, all-out production beyond prudent limits of
23 resource base use is encouraged.

24 And as the "unwisely secured" increments of
25 production churn into markets and tug down prices, even as

1 prices may be rising, farmers who do right by their land are
2 pulled into unwise cropping practices simply to maintain profit
3 margins.

4 That is the type of resource abuse that the USDA is
5 coercing today. By supporting farmers who abuse their land,
6 the USDA is inexorably pulling prudent farmers toward similar
7 abusive practices.

8 Another problem area, the economic problems for
9 America's farms are being compounded by the USDA programs which
10 coost production.

11 In the current RCA documents there is a major
12 emphasis on effots that could be funded by the Federal
13 Government which would increase production, particularly in
14 the water resource area.

15 Attached is a thesis of ours published in the
16 Jackson, Mississippi Clarion Ledger, 6-25-79, which sets forth
17 the economic impacts on farmers of past production-boosting
18 efforts of the USDA.

19 Quite simply, as the USDA generates crop volumes
20 through these efforts, prices are weighed down and farmers are
21 forced to take shortcuts to maintain profit margins.

22 And then the Department has the audacity to preach
23 conservation to these same farmers. Thank you, Mr. Secretary.

24 SECRETARY BERGLAND: Thank you very much,
25 Mr. Barlow. Incidentally, a number of you have submitted

1 attachments and charts and exhibits for the record, and those
2 will be included for public inspection, even though we may
3 not put them, because of duplicating problems, in the record.

4 Now we will proceed until 2:45 with a discussion.
5 I have at least one question for each of you. Mr. Aves, you
6 have made frequent reference to the free market.

7 Times have changed in the farming business, of
8 course. I grew up in a farm in which we were highly diver-
9 sified, and that was typical of the 1930's.

10 Farms had horses and dairy herd and a small flock
11 of chickens and pigs and almost everything. The mechani-
12 zation comes in, technology comes along and changes all of
13 this, and now -- it used to be you fed the feed you grew
14 and you grew the feed you fed.

15 I have been on dairy farms in California where
16 they grow not a pound of feed and grain farms in Illinois
17 where they have not a bit of livestock, and so we have
18 engaged in trade, one farm with another.

19 Half the production on farms today is sold to
20 another farmer, so the farmer becomes a consumer in that
21 context.

22 But now it has gone beyond the shores of the United
23 States, and world trade is an increasingly important part
24 of not only our domestic agricultural economy, but increasingly
25 persons in the world are depending upon the United States

1 to supply them for cash a commodity for which they are
2 prepared, able, and willing to pay.

3 So we have to deal in the market that is inter-
4 national in scope. When you refer to free market, I suppose
5 you are talking about constraints on domestic production.

6 And you realize what we are up against when you
7 are dealing with the Export Club, the world's largest grain
8 corporation, solely owned by the Russian Government, and the
9 barriers to trade which are imposed by sovereign nations.

10 You recognize that. Would you want to define for
11 the record your definition or understanding of the term
12 "free market."

13 MR. AVES: We, of course, are very much opposed to
14 any kinds of limitations on the amount of production that we
15 can do on the farm, any limitation on acreage.

16 We, of course, are against any type of reserve
17 program. We have been all the way along. You know that.
18 Over the past 10 years -- I will call them the last 10
19 years -- you are fully familiar with what tremendous achieve-
20 ments soybeans have made for the American farmer, and it
21 has been basically done through the free market system.

22 The only thing we have from the Government that
23 is direct in any kind of payment would be the loan payment
24 for farmers.

25 We do need that program, and we are not talking

1 about the free market. We recognize that. But there are
2 simply things we can't get along without.

3 Some farmers, because of stress at certain times
4 of the time, because of possible poor crops, maybe poor
5 management of some type, maybe poor sales, he may need to
6 have monies available to him at lower interest rates.

7 So we do need that program for farmers, and we
8 do recognize that. We also need the availability of funding
9 to help us.

10 We also need your help in research. So all of
11 these things, of course, we recognize. We need Government
12 help in that. But as far as farmers being told they can only
13 grow so many acres of soybeans or something like that, this
14 is what we are really concerned with as far as the free
15 market system is concerned.

16 SECRETARY BERGLAND: Soybeans compete with a
17 whole lot of oils in the world. What you are saying is
18 you do not believe it appropriate to have a Government
19 program for soybeans.

20 MR. AVES: We do not. Also, of course, the
21 limitations of sales when embargoes are established. Each
22 time that happens, this disrupts the commodity markets,
23 it disrupts farmers' thinking.

24 For example, this last one, the one in 1973, was
25 a catastrophe. This one here today, we are living with now,

1 we feel is going to be very detrimental to us and in future
2 years because even though we may be selling a lot of this
3 crop, we were going to sell to Russia. The Russians are
4 purchasing from South America and I understand are purchasing
5 at above world prices.

6 When they do this, purchase above world prices,
7 this gives the South American countries an opportunity to
8 expand, and this is expansion.

9 Once they expand, they do not back up. They are
10 going to be harvesting those acres. So we are concerned
11 with that expansion that could happen down there, and this
12 is part of the reason for our being against the reserve
13 program is the fact that once you guarantee prices at a
14 certain level, this gives those people in South America or
15 other countries who want to produce soybeans the opportunity
16 to expand because they know what the price is going to be
17 and they can price a few cents under us.

18 SECRETARY BERGLAND: One last question: The world
19 is, unfortunately, an imperfect place. We can't control
20 the Russians, and we have the Iranian tragedy and,
21 unfortunately, these things come up from time to time, and
22 it is not our fault -- yours or mine -- or anybody in this
23 country.

24 It is just one of those things that take place
25 that we have to live with as best we can. The problem we

1 have is that those things come unexpectedly.

2 Your industry, your growers, and others are
3 adversely impacted by it. Let's assume that the Iranian
4 market had been a large chunk of our export traffic. What
5 would we do: you and me? We would be up against it, given
6 a situation today.

7 Do you think we ought to have some stand-by
8 mechanism to help work our way through tragedies like the
9 Iranian matter, had that had a significant market impact
10 on the industry?

11 Would that be something we should look at? We
12 don't have anything now. We deal with it clumsily on an
13 ad hoc basis.

14 MR. AVES: I think, Mr. Secretary, probably if
15 there were more CCC credits available, if there was a
16 revolving fund available that you could control yourself,
17 that you could look ahead so many years and know that you
18 had so much money in the CCC credit area where our crops,
19 as you see them being expanded too rapidly, that you could
20 expand some of those funds to move some of those crops
21 out, to have these monies available to the developing
22 countries.

23 I think this would help a great deal--market
24 development to us. We can see tremendous strides that can
25 be done, and I know you are fully aware of all the market

1 development work that has been done by our group, by corn
2 growers, by wheat growers--I can't name them all.

3 There are 40-some cooperatives you have, and each
4 of them is doing a fantastic job. But we are short of
5 funds.

6 And certainly if there was more funding in that
7 area -- and, of course, I am asking for Government help
8 again -- if we did have that, it certainly would make a
9 tremendous difference in the surplus we have today.

10 I think most of those could be moved if we had
11 the opportunity to show people in other countries how to
12 feed our grain, how to produce it, how to produce better
13 livestock.

14 SECRETARY BERGLAND: Okay, sir. Mr. Elkin, I was
15 in Pennsylvania a couple of weeks ago, and while there I
16 was on a farm of a father and a son who operated what
17 appeared to be a profitable dairy--perhaps a hundred cows
18 or so.

19 It was a well-mechanized farm. It was an older
20 farm. But it was well-managed and well-kept. They were
21 telling me that they had plans -- the father had plans --
22 to retire and sell to his son--two sons, I think.

23 One was coming home and they were going to apply
24 for an FHA loan to double the size of the dairy farm to go
25 from 100 to 200.

1 We know that dairy surpluses are starting to show
2 up, and they are not yet an overwhelming problem, but they
3 need to be watched.

4 Do you think we should use Government credit as
5 an instrument of overall policymaking? In other words,
6 in that case when we know we are building a dairy surplus,
7 should we make them an FHA loan to double the herd size?
8 Is that a proper role for Government?

9 MR. ELKIN: I can see the point of your question.
10 It is certainly something that is tough to answer. One thing
11 we have watched very closely in the dairy industry, as you
12 well know, is the number of cows overall--whether in 200
13 cow herds or 20 cow herds--we look at the overall herd.

14 And as we have watched over the last years, that
15 has been reduced about one percent a year. It has gone on
16 down to less than 11 million head.

17 I don't know about the high, but 30 years ago
18 we had double that: 22 million. We haven't been as concerned
19 over where the cows are located as the overall herd.

20 That poses a question. I guess I find it hard to
21 answer, and I just don't know how to explain it. It gets
22 into a different area, I guess, than we are in normally,
23 I guess, as far as the dairy industry itself is concerned.

24 SECRETARY BERGLAND: I would like you to think
25 about this matter, and when you are ready, come back and tell

1 me, would you, because I am up against this on this one, and
2 this is something we want to look at very carefully.

3 I am going to talk to John Saunders later.

4 MR. ELKIN: Obviously, what you are saying is you
5 are wondering, wouldn't that, in a sense -- and I am thinking
6 as we are talking here -- I guess if you had Congress behind
7 you on something like that, it seems it puts the Government
8 in a position of playing God as to what size this herd should
9 be because obviously we have herds much larger that have used
10 FHA financing.

11 SECRETARY BERGLAND: I guarantee that is true.

12 MR. ELKIN: You are wondering, looking down the
13 road -- are you talking about periods when we might be
14 talking about overproduction, whether that can be curtailed?

15 SECRETARY BERGLAND: Yes.

16 MR. ELKIN: It is a good question, something we
17 should give thought to.

18 SECRETARY BERGLAND: It has never been thought
19 of, at least not seriously, but we are looking at the role
20 of Government credit in the farming business in the context
21 of the 1981 legislation.

22 If we need to change the law -- Howard and his
23 people are looking at this -- we are always criticized for
24 the right hand not knowing what the left hand is doing,
25 and here is a classic example.

1 MR. ELKIN: The other question I guess I would
2 have to use here is the unfairness aspect--maybe the year
3 before -- and you know about the nature of dairy -- where
4 that loan would have been granted to a neighbor and then
5 the next year could not be granted to him or five years
6 before and that neighbor being in a position to getting
7 other financing to expand. That is why it is a tough one
8 to answer.

9 SECRETARY BERGLAND: Okay. We will have to move
10 on here. Mr. Propst, I want to allay your fears as to the
11 intention of this hearing.

12 It is not intended to create an atmosphere which
13 would provide for Government takeover. What I am trying to
14 sort out is again getting set for 1981.

15 I have been involved in Government policymaking
16 for almost 30 years, and you have for about that same length
17 of time.

18 And usually committee hearings are held in Congress
19 and expert witnesses are brought forth and a political
20 solution is found to an economic problem.

21 And oftentimes it makes no sense. We have had
22 cries from one end to have more Government in farming and
23 others say less, and we are trying to figure out what
24 proper Government role should be.

25 There is no such thing as a neutral Government

1 policy. They all have an effect, including tax policy.

2 So we are not setting up a takeover here; we are trying to
3 figure out -- in the case of the cotton industry, I listened
4 to what you said carefully.

5 You talked about the relatively efficiency of
6 larger farms. Are you suggesting that Government subsidy
7 should be limited then in some way; because the larger
8 farms are more efficient, they need less help -- I guess that
9 is what I am getting around to -- than the small farms?

10 What is the Government role in the cotton industry?

11 MR. PROPST: Mr. Secretary, it would appear that
12 with the commodity cotton, which is a worldwide commodity,
13 that possibly as far as legislation is concerned a loan
14 level that would not encourage production for the loan, simply
15 something that could be used for short term or credit, but
16 not certainly high enough that producers can produce for the
17 loan because then the Government becomes the owner of the
18 cotton,

19 We feel there should be a CCC loan that farmers
20 can use where they can retain title to the commodity and
21 thereby they can seek the time they wish to sell for their
22 best advantage.

23 We do not feel that agriculture because one farm
24 has 2,000 acres, the next farm has 200 acres, that there
25 should be any difference in the loan price or the target

price or the tax structure or the appreciation schedules or investment credit. There should be no difference there.

SECRETARY BERGLAND: It should be treated the same regardless of income?

MR. PROPST: That is true: they should be treated the same. It is difficult, as you have spoken many times, how difficult it is for young people to enter farming.

Mr. Secretary, it was difficult 30 years ago. My father tells me it was difficult when he started, and I know it was difficult when I started.

And I don't anticipate any time in the future that it won't be difficult.

SECRETARY BERGLAND: I have no basic argument with your thesis regarding Government price supports in the cotton business. I think you are right: that is an appropriate Federal role.

But getting back to the small farms that have a much higher cost of production than the larger farms, should the Government help them? Does it matter whether we have small cotton farms or not?

MR. PROPST: Mr. Secretary, I hope we maintain the family size farm because if it is gone, then I am gone.

SECRETARY BERGLAND: You mentioned the relative efficiency of the larger farmer compared with the small cotton farm in several states.

1 I don't know what large and small means in that 168
2 context, but the larger farm has certain economic advantages
3 that the small farms don't have.

4 The question is, then, should the Government help
5 those small farms or should we leave the whole thing to
6 chance?

7 MR. PROPST: Mr. Secretary, I again don't think
8 I am aware enough of the actions of Congress to set a
9 program that would differentiate between the help to the
10 small farmer and the large farmer.

11 But I suppose what we are looking at here is a
12 commodity. We must produce a commodity that we must sell
13 to a market.

14 I think one of the areas that could be most
15 helpful to the cotton industry is a revolving fund for CCC
16 credits that countries that have a record of payment can
17 use these funds to buy the commodities.

18 I believe it was mentioned with soybeans that it
19 has worked well, and these commodity programs, these loans,
20 they actually make the taxpayer of the United States money.

21 They don't cost the taxpayer; they provide a
22 foreign country that wants that product with the means to
23 get it.

24 It, in turn, helps the balance of payments, and
25 these acres that produce this cotton that they need and they

1 want then will not be shifted to wheat, feed grains or other
2 crops that are in oversupply.

3 As far as getting back to the point of how much,
4 increased or decreased, assistance they would be giving to
5 the "small farm" -- and I am not really sure in my own mind
6 what a small farm is -- I can't answer that.

7 The work that was done here was to show the
8 difference in cost in a small farm and a larger farm, simply
9 that the larger farm has more flexibility in operation.

10 It has been able to use management more efficiently
11 and, in all probability, been able to use the machinery to
12 greater efficiency.

13 I don't really see how you could treat a commodity,
14 a single commodity that is going into a single market,
15 general overall market.

16 SECRETARY BERGLAND: One of the problems we have
17 on this matter--a large-scale landowner can take advantage
18 of the capital gains tax law and a small-scale tenant cannot.

19 And so it is argued that the large-scale landowner
20 has the subsidy that the small-scale tenant does not enjoy,
21 and we are trying to figure out what do we do about that,
22 if anything.

23 And we don't have time to carry this one on today.

24 MR. PROPST: Are we talking about long-term
25 capital gains on cotton?



1 SECRETARY BERGLAND: On land. Thank you very much
2 for your testimony and, Mr. Netz, you have made reference
3 to the problems posed by subsidized imports from places like
4 the European economic community.

5 And I understand what you have said, and I agree
6 fully and completely. The U. S. dairy industry is as
7 efficient as most in the world, but you can't put up with
8 the force of the Treasury.

9 What about a place like New Zealand where they have
10 a grassland based area economy. By any standard, it is an
11 efficient dairy producer. Should we be afraid of them?

12 MR. NETZ: I think on a competitive basis I don't
13 think we should be too afraid of them. I think the dairy
14 farmer can compete with most any foreign enterprise on a
15 competitive basis as long as those products coming in here
16 are not subsidized.

17 SECRETARY BERGLAND: One of the criticisms of the
18 Federal market structure is that it tends to freeze production
19 in places where it should not be.

20 We have a much higher cost of production in the
21 southeastern region of the United States than is the case
22 in Wisconsin, according to our experts.

23 Do you think that we should by any way inhibit the
24 free flow and economic forces of the dairy industry that would
25 in any way restrict those dairy farmers in Wisconsin or in any

1 other grasslands state from expanding their production and
2 their marketing into places where the costs are higher?

3 MR. NETZ: I think the marketing system we have
4 stabilizes the milk flow. Of course we have always been in
5 favor of free flow of milk because we are in a high producing
6 area, but I feel that the system that we have has worked
7 very well and it gives a stabilization of the market both
8 to the consumer and for the producer.

9 SECRETARY BERGLAND: Here again it gets to the
10 matter I put up to Mr. Elkin. One has to wonder. I was just
11 up in the northeastern region, a very fine powerful agri-
12 cultural region generally overlooked, unfortunately, because
13 it is not a cash grain company, but it is an important live-
14 stock producing region.

15 The question is whether we should use our credit
16 structure to help foster and build a livestock base economy
17 in that region because livestock is all it would be.

18 It is not corn and soybean. They don't have the
19 land, the soil, the weather for that. Then, conversely,
20 should we make a loan to a family who wants to start a dairy
21 business on land that is better suited for corn and soybeans
22 or should we leave those kinds of decisions to the marketplace
23 completely?

24 MR. NETZ: I think you should leave those decisions
25 to the marketplace. Here again, you are touching the subject

1 of credit, and I am in the same position Mr. Elkin is in,¹⁷²
2 I guess, but it comes to the question of whether you
3 subsidize a commodity that isn't efficiency to operate in
4 a certain area.

5 Do you help a farmer that can't produce efficiently
6 just to keep him in business? I don't feel you should, but
7 when you are talking about the young farmer in this other
8 case you presented to Mr. Elkin, there again I think it
9 depends on the situation.

10 I think the number of cows overall is the important
11 factor. I don't think you should subsidize a poor economy.

12 SECRETARY BERGLAND: Well, this gets a little far
13 afield, but I have a couple of neighbors up home in the
14 dairy business, one of whom inherited the farm from his
15 parents, paid the inheritance tax, but accumulated a
16 substantial inheritance.

17 The next neighbor did not and has struggled and
18 worked and saved and really worked very hard to stay alive.
19 But because of tax policy, one has an enormous advantage over
20 another.

21 And that is a fact, whether we like to admit it
22 or not. Do you think we ought to do anything about that?

23 MR. NETZ: I don't feel that that is in the role
24 of Government.

25 SECRETARY BERGLAND: What about the inheritance

1 tax? By tax policy we have granted one farmer an advantage
2 over another.

3 MR. NETZ: Okay. I feel that the inheritance --
4 probably should be some relaxing in inheritance tax.

5 SECRETARY BERGLAND: We should give the one who
6 inherited land a greater advantage?

7 MR. NETZ: No. Well, you said let the family pass
8 on, the farm pass on, through inheritance without such a big
9 inheritance tax.

10 SECRETARY BERGLAND: What about people who don't
11 inherit land: how would they start farming in that kind of
12 a setting?

13 MR. NETZ: Okay. They have to start just the same
14 as everyone else. It is a matter of economy, I think. I
15 don't feel that you should help that man other than maybe
16 if it is a young farmer maybe he should get some relief through
17 the fellow who sells the farm to him through some tax break
18 or other.

19 SECRETARY BERGLAND: Equalize the advantage?

20 MR. NETZ: Yes.

21 SECRETARY BERGLAND: Okay. Mr. Saunders, I had a
22 call from a member of Congress the other day who has within
23 his district a person who for years was a feed store dealer
24 and two years ago was so attracted by the swine business
25 that he went in first class with a \$250,000 investment in a

1 breed swine herd and is not going to make it. Question:
2 Should we make that person a loan?

3 MR. SAUNDERS: Well, I was thinking when you asked
4 the question --

5 SECRETARY BERGLAND: Because I am convinced, you
6 see, there is nothing wrong with the price of pork that a
7 10 percent production in the swine herd won't cure, and that
8 is the only cure, I think.

9 MR. SAUNDERS: We agree with that.

10 SECRETARY BERGLAND: We are criticized because we
11 don't have the right hand in touch with the left hand, and
12 so here we have a classic case of an apparent contradiction.
13 What do you think we should do?

14 MR. SAUNDERS: We have producers who say that
15 possibly is the reason for our current oversupply--because
16 of our tax structure and credit policy the people have been
17 allowed -- for instance, professional people because of tax
18 write-offs go first class, go first class.

19 I would think probably with regard to credit we
20 should continue. As I understand, for instance, Farmers
21 Home, they are available for those who cannot seek credit
22 elsewhere, and perhaps we should let that apply.

23 But in the case of someone like this, it is a
24 tough question to answer. Certainly that person should have
25 been aware when he went into business two years ago and made

1 that kind of an investment, he should have been aware of
2 the risk involved.

3 So it is hard to answer.

4 SECRETARY BERGLAND: It is kind of like my banker
5 says: inflation covers up a lot of mismanagement and you don't
6 need to be very smart to buy low and sell high.

7 And that is what we have had now for a good long
8 time. And we are dropping the string on inflation, and now
9 it is having a wrenching impact on persons who really bet
10 that inflation would continue at 15 percent.

11 So the question now is how do we deal with this.
12 I have heard persons in your business tell me that the major
13 reason why we have had this big build-up in pork production
14 is because of the investment tax credits.

15 I don't know if that is true, but that is what they
16 allege--that investment tax credit has made it so attractive
17 for persons looking for shelter to go into the pig business
18 that it has been overdone, and now the question is what do
19 we do about this.

20 I have no problems with letting them go broke, but
21 I know what happens: the heat comes on me to save these
22 "small family farms."

23 MR. SAUNDERS: I know, Mr. Secretary. It is tough
24 for me to answer, but I would say that probably the commodity,
25 individual commodities, I think, are going to have to be

1 handled differently.

2 And what might apply to a cotton farm in Texas
3 might not apply to my farm in Missouri.

4 SECRETARY BERGLAND: Absolutely right, and there
5 has been one feeling in Government policymaking--a tendency
6 to lump everything together.

7 MR. SAUNDERS: I think when you make policy like
8 this, producers, people in that individual commodity, should
9 have input into this policy when those decisions are made by
10 Government.

11 SECRETARY BERGLAND: I would like to have all of
12 you think about these questions because we are not making
13 policy decisions today; we are simply asking questions, and
14 provocative ones at that.

15 The decision will be made in Congress next year
16 when we bring these things together and start extending the
17 Farm Bill and Credit Act and the rest that will have to be
18 looked upon.

19 Finally, to Tom Barlow. I was in Southern Iowa
20 about a couple of months ago on the Missouri border in an
21 evening meeting of the farmers and townsfolk.

22 It started out to be kind of a general discussion,
23 but quickly got onto soil erosion. Those persons told me
24 that that had been cattle country, stock cow herds and calf
25 production for feed lots, and it was rolling countryside,

1 but the cattle industry went through a wringer a few years
2 ago.

3 Many of those stock farms were sold off where they
4 had to get out of the cattle business. There was no way
5 they could still alive economically.

6 For a variety of economic reasons, they went from
7 cattle to grain farming. And I was on farms over in grain,
8 corn and soybeans, and from an environment standpoint, a
9 disaster.

10 I talked with those operators. They knew it was
11 a mistake. They knew what they were doing was wrong,
12 couldn't be sustained, and yet they were trapped by economic
13 circumstances, and cattle prices were low and soybeans were
14 \$10.00 a bushel.

15 So they plowed up that grass. What do you think
16 Government should do about that?

17 MR. BARLOW: Well, that is one of the basic issues
18 that has to be addressed right off the bat that farmers come
19 up with.

20 It brings up a whole spectrum of Federal land use
21 control. I believe there is a lot of that marginal land,
22 that there are levels of practices that can be applied to
23 it, depending upon what you want to do with it, that it may
24 be marginal land in the general sense, but with a certain
25 degree of conservation practice applied, you could grow

1 wheat or corn or possibly even soybeans.

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2 Now the economics of it may be that as those
3 practices are laid out that it just starts to look uneconomical
4 to be engaging in that effort.

5 But that is a decision that the farmer himself
6 should have to make. Now if you want to use that argument --
7 and we hear it all the time -- as the way to stop effective
8 conservation programs from being applied in the country,
9 you probably can effectively grandstand resistance to it.

10 That would be unfortunate, we think. Farmers have
11 a problem. The agriculture land is under serious stress.
12 We would have a Federal Water Pollution Control Act today,
13 Mr. Secretary, if industry in the Sixties hadn't gotten
14 together --the leadership of industry hadn't gotten together
15 and said, yes, we have got a problem, we need a structure
16 that will treat everybody fairly and treat everybody the
17 same and, in effect, quietly got behind efforts at the passage
18 of the Federal Water Pollution Control Act.

19 So the industries who wanted to go ahead and wanted
20 to do the job weren't unfairly hurt in the marketplace by
21 industries who were going to hold out and not do the job.

22 We believe that agriculture has got to come up
23 with a structure that is applicable across the board to
24 everybody that is fair and gets the job done.

25 It can't be just a matter of shouting about not

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1 enough dollar assistance coming to the compensation budget.
2 Industry got their dollar assistance in the form of tax
3 breaks and so forth, but first they said we have got to have
4 a structure, and then the tax breaks and other forms of
5 dollar assistance to municipalities and so forth came on
6 line.

7 It is easy for critics of the USDA's conservation
8 programs to point at what they feel are -- have been monies
9 that have been wasted on the building of farm ponds or what
10 have you, landscaping of farmsteads.

11 That happened early in the Seventies. That really
12 is beside the point. There is money being wasted in the
13 Federal Water Pollution Control Program.

14 If you want to look at the effectiveness of how
15 some of that money is being applied, but the public, the
16 political establishment, doesn't complain about that wastage
17 because they have a feeling of security that the legislative
18 structure of the program structure is there to eventually
19 deliver clean water in the United States.

20 We don't have such a structure in erosion control.
21 There are benefits that that might achieve for not only
22 soil quality but water quality, and I think the farming
23 leadership has got to face up to it and do something about
24 it.

25 SECRETARY BERGLAND: Mr. Hjort.

1 MR. HJORT: There are some general areas I would
2 like to get into, and if we have some time, some specific
3 questions.

4 One is a follow-up on the use and care of our
5 national resources, and I question directly namely the other
6 five members of the panel.

7 We have representatives here where we have a great
8 deal of Government involvement in certain commodity programs
9 and others where there is relatively little.

10 I would be very interested in what your position
11 is with respect to the role of Government on the use and
12 care of our national resources: soil conservation, water
13 use, and so on.

14 Should it be in your minds strictly a matter for
15 the individual and, if not, what should be the role of
16 Government: greater than at present or less?

17 That is one general question. If you will think
18 about that one a minute and then I will go on to the next,
19 the other general area.

20 But I want to there address the question of
21 efficiency, size of operation, and so on. What I would like
22 to have each one of you tell me is in your area, given
23 prices and deals and so on in recent years, not necessarily
24 now, what size operation does it take to provide a decent
25 family living--number of hogs, number of cows, number of

1 acres and so on.

2 And given that if one is operating a unit of that
3 size, do you believe that there are significant efficiencies
4 to be gained in becoming larger or are most of the efficiencies
5 being achieved at that size level that generate the decent
6 family living.

7 With that, we will start with you.

8 MR. AVES: Well, that is rather a long question for
9 me. I would say probably the size of the farms in my area
10 that probably operate the most efficiently are the ones that
11 are done basically by a farmer, his son, or maybe a farmer
12 by himself.

13 I would think of a farm of anywhere from 600 to
14 1500 acres. I myself work 1750 acres, and I have one son
15 helping me. I do have a hired man. So we are working
16 1750 acres with three people.

17 I feel like I am doing it efficiently. I think
18 each person, though, has their own respective feelings about
19 what they want.

20 I may want to live a little different than some
21 other people. Some people may be satisfied with less
22 conveniences than I have.

23 But I am going to say probably the size of the
24 farm I would think of would be somewhere in the neighborhood
25 of 800 to 1500 acres, and I think if you get beyond that

1 at this time, it gets beyond the effective area of management,
2 although it depends, of course, if you have livestock -- and
3 I am eliminating livestock in that figure.

4 We also have livestock on my farm, but not a lot
5 of it. I am anticipating another son coming home from school.
6 so I am kind of producing a set of farmers here that I hope
7 will be able to continue on. I am very proud of them.

8 SECRETARY BERGLAND: Will the gentleman here --
9 what is the horsepower of your biggest tractor?

10 MR. AVES: The biggest tractor is 250 horsepower.

11 SECRETARY BERGLAND: What if it were 900?
12 I have seen a 900-horsepower tractor in the Soviet Union.

13 MR. AVES: Just because you get a good tractor
14 doesn't mean you can work that much more. One of my problems
15 is I could work more efficiently if I had all the land in
16 one area, but I go 25 miles from one farm to the next.

17 Is there any more to the question?

18 MR. HJORT: Do you think units, say, of 800 acres
19 in your area, if one has a unit of 800 acres generating, say,
20 150,000 gross or so a year, are there significant efficiencies
21 to be gained beyond that or do you think at that size you
22 are about as efficient as you are going to get?

23 MR. AVES: I think it is as efficient as you are
24 going to get. I said 800 acres. Maybe I should lower that
25 level to a farmer's age.

1 So maybe if you are going to a 60 or 65-year-old
2 farmer you should back off 500 acres.

3 MR. HJORT: Would you go with the free market
4 strategy and research?

5 MR. AVES: Resources -- as far as resources is
6 concerned, I think you need a voluntary type of restriction
7 as far as land use and water planning and things like this.

8 I believe that farmers will change drastically as
9 they see the advantages of soil conservation. If we could
10 just look -- if we could just -- if someone came back from
11 10 years ago and see how different we are farming today.

12 For example, I haven't plowed any land for three
13 years. We are doing soil conservation work, and it is coming
14 about naturally.

15 I feel also, though, that being at the other
16 extreme, that farmers do not accept responsibility if
17 through volunteer programs they are not going to accept
18 responsibility, we are going to have mandatory.

19 But I think farmers will, given the education
20 and opportunity, they are the first conservationists in
21 the world.

22 So I think we will.

23 SECRETARY BERGLAND: Do you think we should make
24 an FHA loan to a person in Southern Iowa who is bean and
25 corn farming on a piece of land that should be grass?

1 MR. ELKIN: I think probably that if the man
2 sits down and figures out where he is at, if it should be
3 in grass, they will have it in grass; if he is going to make
4 more money out of corn and soybeans, he will probably do
5 that.

6 I think each person is going to have to select
7 for himself what he is going to do. If the man realizes
8 he is not making a profit, that things are not going right
9 for him, I really don't think we should bail him out; I
10 think he should go back to grass, and I think he should
11 realize that himself.

12 I will comment first on conservation aspect. Here
13 is where we had the grassland programs, and then because of
14 really in the early Seventies, 1973, when all grain prices,
15 a number of exports, grain prices went up significantly.

16 I think that put a lot of economic pressure. I
17 talk to people in Montana and various areas who said they
18 plowed up the valleys and it went to weeds.

19 I think that caused a lot of disruption in our
20 economy, the ability to sell some of the grains. We did
21 some of these things.

22 Take my area of Wisconsin. We were just like the
23 rest of the country: we were primarily dairy and still are,
24 except we only need half as much forage for so many cows.

25 It has made more land available. And during that

1 time of higher priced corn, a lot more acreage went back to
2 corn.

3 I would say that in my area of Wisconsin there has
4 been something wrong with the corn programs because we have
5 a lot of on farm storage in areas that used to be --

6 So some acres have gone into corn that shouldn't.
7 That gets back to arguments on the import of dairy prices,
8 efficiency and size.

9 I would say at this particular time I have a theory
10 that dairy is a series of multiples. I would say that one-
11 man operations, somewhere between 20 and 40 cows, you are
12 talking probably farming something like 150 acres, crop
13 acres, to produce all the roughage and grain for those cows.

14 Up to that, you build multiples. You may find
15 some young people who say they are milking 50 or 60 cows,
16 and maybe they are, but maybe if you check, their wife is
17 contributing about half the labor there and that is a two-
18 person farm.

19 So you are getting some family help and you can
20 go into some of the other areas, and you may be milking
21 a lot more cows, but again you break it down to per man.

22 Some areas, one man may be milking a hundred cows,
23 but I guarantee he is not producing any of the feed or
24 roughage. So I would say 40 cows is about that level.

25 If you are younger, you may get up to 50. If you

1 are older, down to 30.

2 MR. HJORT: And that area is about as efficient as
3 you are going to get?

4 MR. ELKIN: I think so. I have been on a farm
5 23 years, third generation farm. I have made a good living
6 at it.

7 MR. PROPST: When it comes to size of operation,
8 number one, we believe that the operator should be able to
9 use his talents to whatever extent he desires to.

10 This is the system we have grown up with, which
11 has made us a strong nation in agriculture. The only thing
12 I can allude to in this -- and I will use some figures, and
13 these are USDA figures, and they were put together by
14 Dr. Kindle Keith, using the Mississippi Delta.

15 When we moved to the Texas high plains, the smallest
16 farms were 430 acres. The cost of production of cotton was
17 23 percent higher than that of grain, 26 percent higher than
18 that on a 2,000-acre counterpart.

19 The difference in the two was 23 percent higher
20 and 26 percent higher. In Arizona there was irrigation--
21 180 acres, the small size farm, no full-time employees.

22 Moving up to 1620 acres, six full-time employees
23 because of the heavy workload of irrigation and the difference
24 in cost was 17 percent higher on the small acres than the
25 other.

1 This higher cost must be passed on to the consumer,
2 whether U. S. or around the world. What I guess we are trying
3 to point out is that the farmer himself should determine how
4 big he wants to be, using his talents, because agriculture,
5 especially cotton, is a worldwide commodity and we need to
6 produce it as economically as we can so we all make a
7 profit.

8 I don't think that that should be the role of
9 Government to decide how many acres a farmer should farm. I
10 look at my own area. I try to look at it as a localized
11 area.

12 In the past, people I have known for many years have
13 said we have got to keep a family size farm. I notice that
14 since that very day some of them say that, each time they
15 have an opportunity to buy, lease, or rent a quarter or a
16 half or a section, they do. The farm size increases.

17 Possibly it is because of greater usage of the
18 talents, their equipment. I understand the average hour
19 per tractor in the United States is about 550 hours a year.

20 And I can't equate what it would be in Texas,
21 California or on my farm. I would normally stay away from
22 my farm, but I figure I must use a tractor a thousand hours
23 a year to be able to justify.

24 When it comes down and go back to a question you
25 alluded to earlier on capital gains on cotton, there is no

1 such thing as capital gains.

2 That only comes when you sell it. So I can't
3 see that this has any part to do with setting up different
4 type policies for small versus large farms because we are
5 dealing with a commodity that must sell in the marketplace,
6 both domestic and worldwide.

7 MR. HJORT: What you are really saying to us is
8 that there are continued efficiencies. On the larger farm,
9 you seem to be saying that there is no end, that the larger
10 you are, the more efficient you are. Do you really mean
11 that?

12 MR. PROPST: I can't say that in every case.
13 Certainly not. As a matter of fact, I wouldn't even put
14 that as a general thing; I am simply using the figures that
15 were drawn from USDA figures.

16 MR. HJORT: Where do you think you have reached
17 the efficiency in your area? How many acres would you have
18 to have to be about as efficient as you are going to get?

19 MR. PROPST: Sir, I don't know. I haven't reached
20 that point. I can't say because I haven't reached that
21 point.

22 MR. HJORT: You can still be bigger than you are?
23 And, if so, then obviously if one simply lets, as you suggest,
24 the process work its way, these smaller ones are going to go
25 by the wayside sooner or later.

1 Are you trying to say that with one large
2 corporate enterprise producing cotton in the United States
3 we would be better off than having the number we do have
4 today?

5 MR. PROPST: Mr. Hjort, number one, I don't
6 believe the smaller farms are going by the wayside. I think
7 a lot of farms are smaller because the operator wants to
8 be smaller.

9 As far as I am concerned, I have no desire to be
10 a large corporate type farm. I have no desire to do that.

11 MR. HJORT: But your basic proposition here is
12 the more efficient we are, which is a worthy goal -- the
13 more efficient we are, the better the world is served.

14 And you are also saying it seems that the larger
15 you are, the more efficient you are. You put those two
16 together and there is a certain logical conclusion.

17 MR. PROPST: Mr. Hjort, that is not what I mean.
18 What I am saying is we are talking about family sized farms
19 or family operated or family owned farms.

20 In my personal definition of what is a family size
21 farm, I would say that a family size farm is one where
22 ownership or the shares of the farm remain within the family.

23 As far as large corporate type farms -- and I
24 really don't personally know of any of those. They are not
25 in my area. I would say that probably those would not be

1 as efficient because they have to hire management, whereas¹⁹⁰
2 the family size farm, where it has no employees or two,
3 three, four, five six employees, whatever, the management
4 is there on the farm, it is the farm.

5 MR. HJORT: I guess we are about running out of
6 time. I am going to have to ask you to speed up.

7 MR. NETZ: When you are talking about the family
8 farm, I would like to give you a definition that the
9 Federation has adopted as the definition of a family farm
10 because there are so many diversified types of farming.

11 We have a family farm as a unit where the family
12 unit makes the management decisions and directs this resource
13 so as to provide a significant source of the family's total
14 income.

15 This can vary. I know in our area, I think
16 probably a one-man operation could be 40 cows, around 200
17 acres. But there are families that have children and where
18 the wife works and so forth where they can do more and still
19 be efficient.

20 We have some cheap commodities today in food
21 prices merely because of cheap family labor, particularly in
22 dairy.

23 You know, the children all work and the wife
24 works. As a result, that becomes pretty cheap hourly labor.

25 MR. HJORT: You are saying at 40 cows or so, you

1 think that is a rather efficient operation?

2 MR. NETZ: For one man. Many of them today would
3 like to have some relief on holidays and Sunday. So it
4 becomes quite practical to run an operation with two men
5 where one can have a Sunday off.

6 So you can just about double that. And then I would
7 like to address this land preservation just a minute. A
8 situation has existed since they opened up the reserves in
9 that whereas the Government has paid for a lot of conser-
10 vation programs in stripping and wind breaks and so forth
11 and a lot of this land now has been bought up by a new
12 owner.

13 When this happens, they throw all the conservation
14 practices to the wind. And I think there should be some
15 restraint or some conditions on a sale by which they would
16 have to abide by the regulations that they signed up to do
17 when they got the Government help to put in the soil conser-
18 vation program practice.

19 MR. HJORT: Thank you.

20 MR. SAUNDERS: Sir, I think the farmer, by necessity,
21 is becoming more sophisticated nowadays than they were even
22 five or ten years ago, so I don't think it is Government's
23 role to dictate size of operation.

24 If my neighbor can produce hogs more cheaply and
25 more efficiently than I can, he is probably going to expand

1 his operation.

2 If I am losing money, I am going to change to
3 another enterprise or get out of business. So I think we
4 have to leave it pretty much -- the decision there as to
5 what size is most efficient and what would be most efficient
6 for one operator won't be necessarily for the other operator.

7 What will generate enough income for one family
8 won't necessarily be enough for another family. So we have
9 different desires and needs.

10 MR. HJORT: But you are in an industry where the
11 structure is changing rather rapidly and it is not changing
12 only on the basis of the individual.

13 Now it is Government intervention that is having
14 a major change on the structure. Do you think that move is
15 good or not?

16 MR. SAUNDERS: Not necessarily. I think Govern-
17 ment has to be very careful not to alter the structure
18 officially through means of tax laws, et cetera.

19 As far as credit, I think we have to be very
20 careful there in not artificially altering this. If we
21 have to let it go by the survival of the fittest, I think
22 that is better than for the Government to step in and
23 alter it artificially.

24 SECRETARY BERGLAND: John, anything to add to
25 this?

1 MR. BARLOW: Well, just one thought, Mr. Secretary.
2 American agriculture is phenomenally productive. We are all
3 for the most part well fed, better fed, today generally,
4 with some exceptions, than ever in our history.

5 It is production oriented, use of that production
6 oriented, and we see the current serge of interest in
7 alcohol fuels from commodities.

8 But it just occurred to me the other night that
9 the rates of soil loss in some of our most productive regions,
10 not just the marginal land areas of the north central states,
11 but Illinois, Ohio, the Mississippi Valley, that if those
12 commodities are being used for alcohol fuels at the rate
13 the soil is being wasted-in the production of those
14 commodities, large areas are going to be barren before
15 Saudi Arabian oil fields are exhausted.

16 SECRETARY BERGLAND: That is an excellent point.
17 The time has run out. In fact, we are a few minutes overdue,
18 but we had planned to adjourn at 5 o'clock, and we have some
19 cushion at the back end of that schedule, if necessary, and
20 being there are six of you on this panel, we didn't want to
21 shortcircuit this subject because it is critical.

22 Thank you very much for your discussion. Thank
23 you very much. The next group will discuss the issue,
24 land prices, ownership and use.

25 We have four persons: Mr. Robert Walters,

1 President of the American Society of Farm Managers. We have
2 Mr. Joe Brooks, President, Emergency Land Fund, Atlanta,
3 Georgia; we have Dr. Philip Raup, Professor of Agriculture
4 and Applied Economics, University of Minnesota, and we have
5 Mr. Stephen E. Bossi, member of the Board of Directors of
6 Rural America, Incorporated.

7 Gentlemen, we appreciate your coming. Mr. Bossi
8 has an airplane to catch and asked if we could lead off
9 with him.

10 And if there is no objection. Does anyone object
11 to hearing him first? Mr. Bossi.

12 STATEMENT OF STEPHEN E. BOSSI, MEMBER, BOARD OF DIRECTORS,
13 RURAL AMERICA, INC.

14 Thank you. I appreciate your doing that. I thought
15 I was going to be on this morning's program so scheduled
16 myself to go back to Seattle tonight.

17 I will keep my statement brief. My name
18 is Stephen Bossi. I am a private consultant in the Seattle
19 area, and I am on the Board of Director of Rural America,
20 Incorporated, which is a national organization based in
21 Washington, D. C., particularly concerned about foreign
22 policy and how it impacts.

23 We are really grateful to have the opportunity to
24 participate in these hearings, and we appreciate the effort
25 you are making to hold the dialogue.

1 We feel that discussion is very important. What
2 we feel is needed now is some kind of concrete demonstration
3 of something coming out of this hearing.

4 We feel people are waiting for that. And we would
5 like to suggest to you one possibility you might consider
6 as a result of these hearings.

7 What we would like to suggest is that we come up
8 with a new set of criteria to be used in evaluating proposals
9 and programs which impact on agriculture in the rural
10 community.

11 The criteria could be a refinement of generalized
12 concepts, particularly the concept of the family farm that
13 have given direction to our approach to agriculture in the
14 past.

15 The purpose is not to create new bureaucratic
16 measures and tests, but to provide information on the conse-
17 quences of policies before we institute them.

18 Based on our view of this Structure of Agriculture
19 process and our own sense of the needs of rural America,
20 we have identified four criteria which we offer for your
21 consideration:

22 One: The first is basic efficiency in food
23 production and distribution. Consumers should not be
24 expected to pay for unnecessary costs in their food purchases
25 and yet many of our policies encourage the growth of large

1 factory type farms which we know are less efficient than 196
2 family sized units.

3 Thus, policies should be evaluated in terms of
4 their ability to hold costs down and make fairly priced
5 food readily available to low and moderate income consumers
6 in the U. S. and throughout the world.

7 Two: A second consideration is stewarding of
8 resources--land, top soil, water, genetic stock, energy
9 and air.

10 Your hearings have revealed widespread public
11 concern over the depletion of many of these resources: top
12 soil erosion.

13 It is not unreasonable for the public to expect
14 that our farm policies will preserve our food producing
15 resources.

16 The third criterion is expansion of opportunities
17 for farmland ownership and security of farm income. You
18 have heard numerous stories of young people denied access
19 to farmland or of farmers facing bankruptcy because of the
20 insecurity of their incomes and lack of credit.

21 People expect our farm/food system to encourage
22 growth in the number of skilled, dedicated and secure farm
23 owners, operators and laborers and security for those who
24 choose this way of life.

25 Four: Finally, our farm policies should help to

1 build and maintain viable and healthy rural communities. 197

2 Diversity has, after all, been a strength of our nation.

3 Maintaining sizable and strong rural communities
4 based on the contribution which agriculture can make to
5 the rural economy is not an unreasonable expectation of our
6 system.

7 It is our view that there is rather broad consensus
8 around these criteria. We would be more than happy to work
9 with you in refining or modifying them.

10 But since they are fit the general conception of
11 the family farm, we doubt that there could be much objection
12 to criteria such as these.

13 What should be done with these criteria? We
14 suggest they be used as the cornerstone for a USDA evaluation
15 process to be implemented every time a policy or program
16 impacting U. S. agriculture is put forth.

17 This evaluation should not be restricted to areas
18 of policy within the programs of this Department, but be
19 applied to tax policies, transportation, community develop-
20 ment, labor laws, and so on.

21 To the extent that they impact on agriculture and
22 rural life, all should be subjected to the test. Will such
23 proposals expand or reduce opportunities for land ownership?

24 Will they make farm income more or less secure?
25 Will they conserve resources? Will they make rural community

1 living more viable?

2 Why are new criteria needed? Let us look at our
3 land policies for an example of why this need exists. Our
4 historic commitment to a family farm structure of land
5 ownership was fairly general but quite clear.

6 It was a commitment that was embodied in laws
7 such as the Homestead Act and the 1902 Reclamation Act. As
8 these hearings have revealed, however, economic forces have
9 outrun those earlier criteria with no redefinition taking
10 place.

11 Land prices have skyrocketed, the number of farms
12 has been more than cut in half, irrigated farms are many
13 times the size of those envisioned in 1902 law.

14 Numerous rural communities are coping with
15 substandard housing, services and facilities. These develop-
16 ments suggest to us that there is a need for a restatement
17 of what we are about in our farm and food policies.

18 New concepts and proposals should face a test
19 of whether they move toward or away from the principles on
20 which our farm system is to be based.

21 We have sufficient knowledge to apply such tests
22 objectively, to evaluate our findings, to explain them to
23 the public.

24 These are tasks which are appropriate to the USDA
25 and which are needed across the board, in every area of public

1 policy which impacts on food production and distribution.¹⁹⁹

2 Finally, a new set of criteria would respond to
3 the need for new language to replace terms which may have
4 outlived their utility.

5 If we cannot agree on definitions for terms like
6 "family farm," let us use terms like expanded land ownership
7 opportunities, farm income security, resource stewardship--
8 language that speaks to trends rather than concepts.

9 We are proposing four specific criteria: Efficiency
10 in food production and distribution; resource stewardship;
11 farm ownership opportunities and income security; strengthened
12 rural community life.

13 These, or criteria like them, could be compiled
14 into a test--something that might be called a "Family Farm
15 Impact Statement"--and used to give policymakers and the
16 public some idea of what to expect from new farm proposals.

17 We would still be free to choose, to accept or
18 reject, what is being offered, but to do so with knowledge
19 of the implications for food prices, for people on the land,
20 for the resource base and for rural communities.

21 What we are proposing would be an ongoing instru-
22 ment for looking ahead, for evaluating options and making
23 informed choices.

24 Such an instrument would be appropriate to the
25 process you have instituted and would serve the pressing need

1 for ongoing evaluation of food and farm policies.

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2 It would be the long-awaited product of a hope-
3 filled process and one that should serve the people,
4 particularly the farm and rural people, of this country,
5 far into the future.

6 SECRETARY BERGLAND: Thank you very much. What
7 time do you have to leave, Mr. Bossi?

8 MR. BOSSI: Probably in a half-hour.

9 SECRETARY BERGLAND: We will go ahead with the
10 rest of the panel. To the extent you can stay, fine. When
11 you need to leave, please feel free to do so.

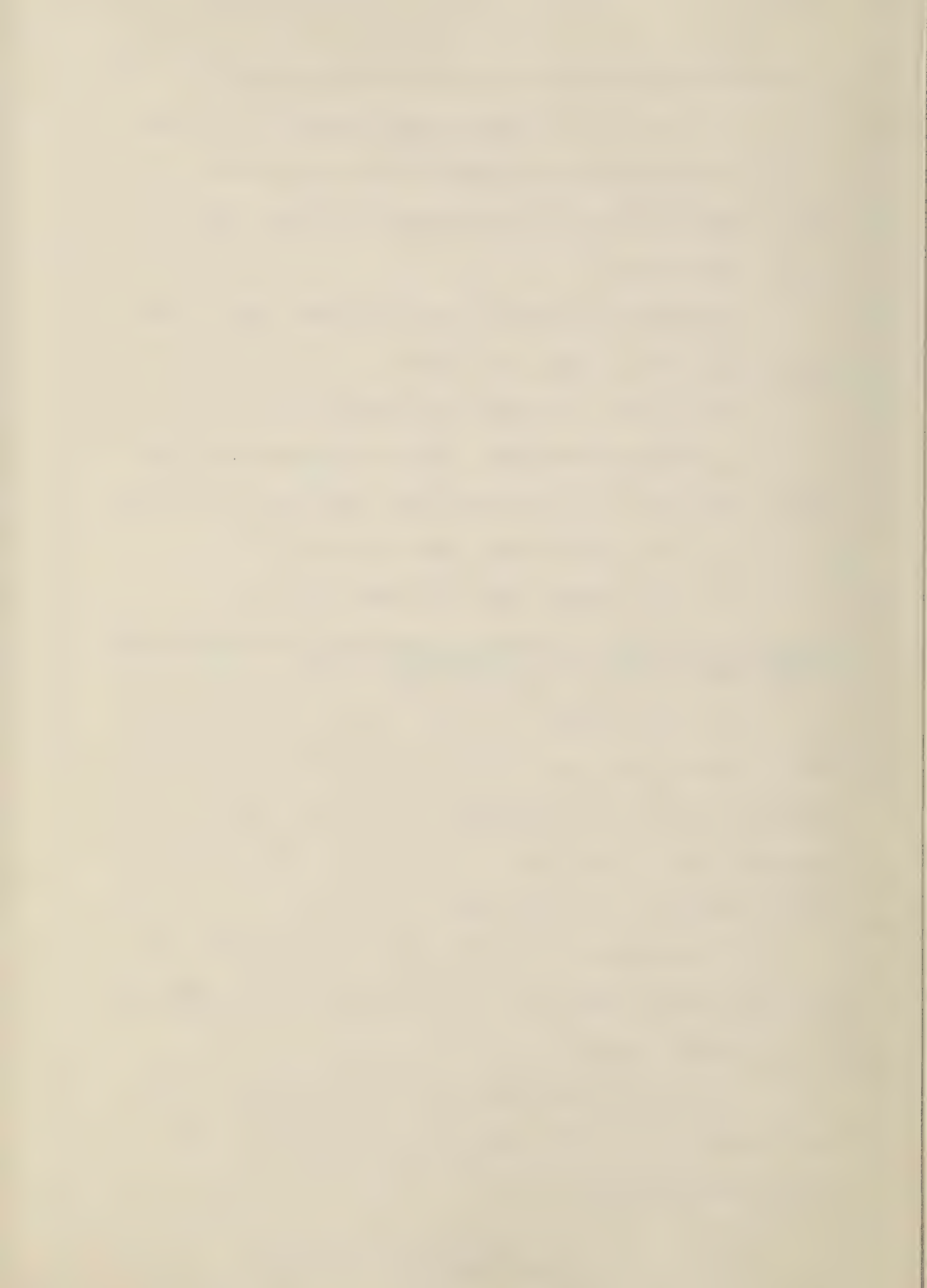
12 We will proceed with Mr. Robert Walters.

13 STATEMENT OF ROBERT E. WALTERS, PRESIDENT, AMERICAN SOCIETY
14 OF FARM MANAGERS AND RURAL APPRAISERS

15 Mr. Secretary, Dr. Hjort. We are pleased to be
16 here and appreciate your invitation. I am Robert Walters,
17 president of the American Society of Farm Managers and Rural
18 Appraisers and I have been a professional farm manager and
19 rural appraiser in Central Iowa for 30 years.

20 Our society has 3,900 members unationwide and
21 currently manages approximately 10 percent of the crop land
22 in the United States.

23 Our rural appraisers are active in every state.
24 Jesse Dowell is with me today. He is chairman of our
25 legislative committee.



1 We will speak to the three major areas of
2 concern as identified in your outline: One, land prices;
3 two, land ownership and, three, land use.

4 One: Land prices. As long as we have inflation,
5 land prices will continue to rise. The commodity price
6 index has increased an average of six percent for the past
7 10 years.

8 Land prices have increased over nine percent
9 annually during the same period. We expect this trend to
10 continue.

11 Don't be concerned when you hear people say,
12 "Land will not produce enough to pay for itself" or "Land
13 is too expensive for beginning operators to buy."

14 This is not a new phenomenon. It has been true
15 for as long as I can remember. It just seems different
16 because we are dealing with inflated numbers.

17 Historically earnings from crop land have ranged
18 from 2.5 percent to four percent based on current values.
19 The combination of earnings plus inflation has made land
20 an excellent hedge against the decreasing purchasing power
21 of the dollar.

22 People concerned about future purchasing power
23 will continue to be strong buyers of land as long as
24 inflation continues.

25 If the Government is really concerned about

controlling the land price spiral, a solution is available.
Stop inflation.

Failure will guarantee land prices will continue to rise more rapidly than the commodity price index.

Land ownership. As we discuss ownership, data published by the 1978 USDA will be used to reinforce trends we have observed.

They have divided operators into three major categories -- full owners, part owners, and all tenants. In 1940, 35.9 percent of the farms were operated by full owners, 28.2 percent by part owners, and 35.9 percent by all tenants.

In 1974, the percentage of full owners was nearly the same, but part owners had increased to 52.7 with a corresponding drop of all tenants to 12 percent.

This exemplifies the need for, and advantage of, having outside capital invested in land. We hear a great deal about preserving the family farm and helping the young operator get started.

A young family cannot afford the luxury of ownership with returns of four percent on capital invested, while interest costs are 15 percent or more.

He must depend on the absentee owner to provide rental land. As young farmers gain equity, they buy land but also continue to rent land as shown by the previous

1 statistics.

2 According to the same USDA information farm title
3 transfers have averaged about four percent per year over the
4 past 10 years.

5 This is also true in Iowa where 25 percent of the
6 grade A land in the U. S. is located. The percentage of
7 land owned by absentees has not changed significantly.

8 The only real change has been the price paid and
9 the ratio of debt to purchase price. It has increased from
10 50 percent in 1950 to 80 percent in 1975, in Iowa where I
11 live.

12 This is proof that buyers believe inflation will
13 continue giving them an opportunity to pay for land with
14 cheaper dollars.

15 There are those who believe that an owner-operator
16 is more concerned about soil conservation and produces food
17 more efficiently than an operator who leases land.

18 We do not agree with this concept in total. The
19 demand for rental land is very strong. A rental operator
20 may, and often does a better job than an owner-operator,
21 because he wants to retain his lease.

22 Nearly all the land managed by our members is
23 owned by absentees. In many cases, they inherited the
24 family farm and retain a strong emotional tie to the
25 community.

1 They are people like you and me. Many of our
2 operators own additional land -- others do not. Ask any
3 of them if they operate a family farm and the answer will be
4 a resounding yes.

5 They would not be a farm operator without the
6 capital investment and land furnished by the absentee owner,
7 who may live in a neighboring town, large city, even a
8 foreign country.

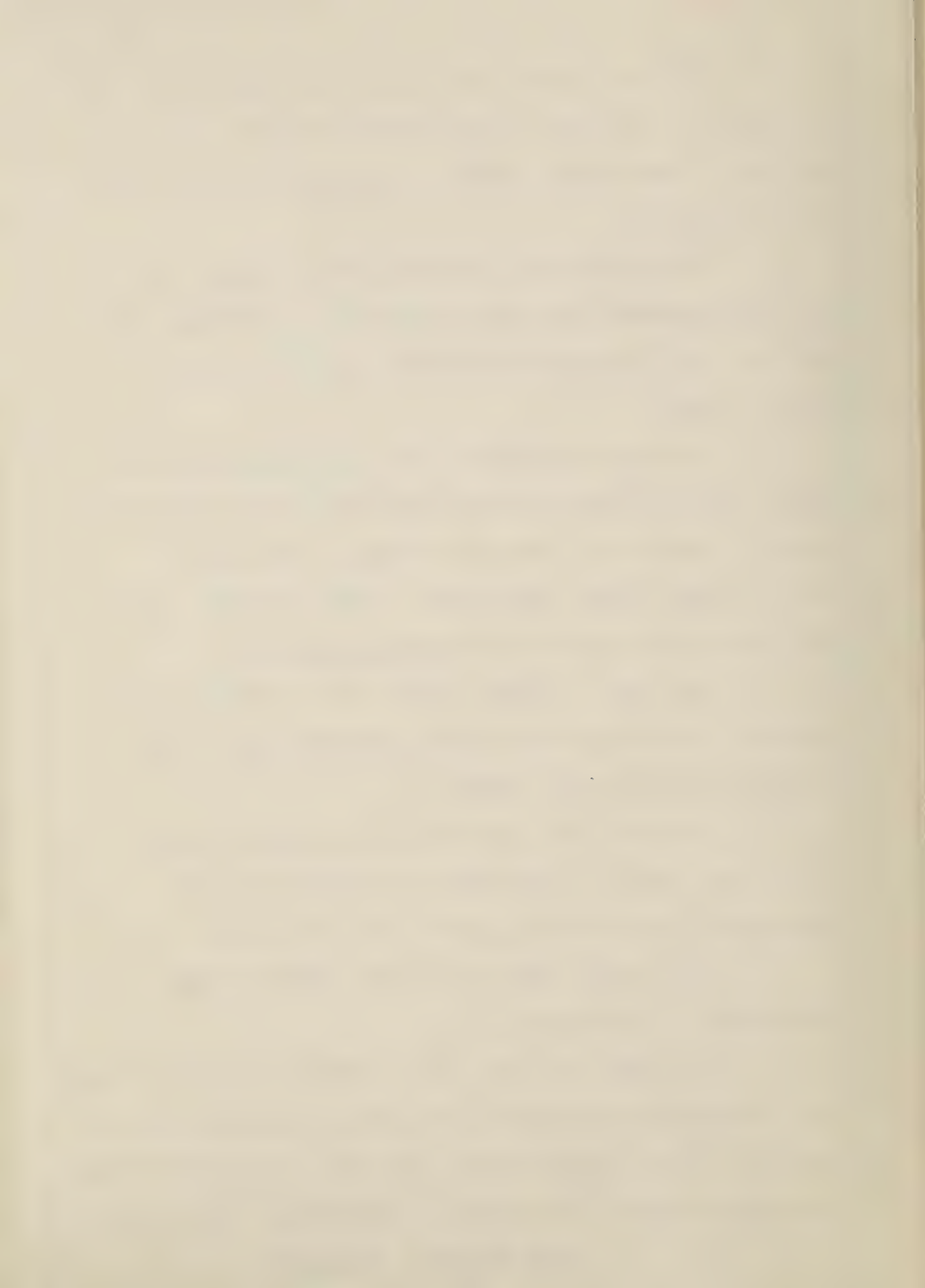
9 In a book published by the Iowa State University
10 Press entitled "Adjustments in Agriculture," Dr. Wunderlich
11 states, "Leasing is a means of expanding farm size to
12 utilize unused labor, management, or capital without the
13 risk and equity problems of acquiring ownership."

14 We agree. Outside capital for land ownership is
15 essential to maximize agricultural production and offer
16 entry for the beginning farmer.

17 To change the philosophy would create a landed
18 gentry very rapidly. Every operator should have the
19 opportunity for ownership, but not the sole right.

20 This may be contrary to the thinking of many
21 policymakers in Washington.

22 Land use. The role of the Federal Government should
23 be to encourage each owner to conserve the land for posterity.
24 Don't try to be a police force. The Soil and Water Resources
25 Act would certainly give you this opportunity. Be positive.



1 Conservation pays, it does not cost. We are
2 professional farm managers and rural appraisers are leaders
3 in conservation and take our responsibility very seriously.

4 Land use control through zoning is necessary, but
5 this should be solved on a state and/or local level, not
6 from Washington, D. C.

7 Federal ACP cost-sharing funds have encouraged
8 and promoted soil conservation, but also have been used
9 by producers to increase production.

10 This is a good program, but funds should be
11 restricted to conservation uses. In conclusion, the
12 Government's role should be preservation and promotion of
13 the free competitive enterprise system -- remembering "He
14 who governs least, governs best." Thank you.

le 3 15 SECRETARY BERGLAND: Thank you very much,
le B 16 Mr. Walters. And now Joe Brooks.

17 STATEMENT OF JOSEPH BROOKS, PRESIDENT, EMERGENCY LAND FUND

18 Thank you. I hope I can make it in five minutes.
19 I will be concentrating on the ownership of land by blacks.
20 I am Joseph Brooks, President of the Emergency Land Fund
21 and Managing Director for the National Association of Land-
22 owners.

23 ELF is a non-profit charity, operating since
24 1971 throughout the South, providing financial, legal,
25 educational and technical assistance to minority farmers

1 and landowners.

2 The National Association of Landowners is a non-
3 profit association of minority farmers and landowners
4 organized in 1976 at Tuskegee Institute, wity county and
5 state chapters covering eight states and a membership in
6 excess of 2,000 individuals.

7 NAL's purpose is to organize the disadvantaged
8 minority farmers/landowners from the county level up into
9 an effective voice and force to address the negative
10 attitudes, policies, practices, laws and institutions that
11 contribute to black land loss.

12 Together ELF and NAL have saved over 100,000 acres
13 of land that would have otherwise been loss. This 100,000
14 acres, valued conservatively in excess of \$60 million, was
15 saved at a cost of \$5 million over nine years.

16 Our efforts, however, have not impacted the
17 accelerated downward trend of black farmland ownership.
18 The 1969 Census of Agriculture reflected that black farmland
19 was leaving black hands at an annual rate, over the previous
20 five-year period, of 330,000 acres.

21 The 1974 census revealed a worsening state of
22 affairs for black landowners, with the average annual loss
23 at 500,000 acres.

24 At this rate of land loss, given the base of
25 4 million acres held by blacks according to the 1974 census,

1 blacks will be landless and out of agriculture by 1984 or²⁰⁷
2 1985, which is within the life of this administration,
3 assuming President Carter's reelection in November.

4 The Census of Agriculture, however, only gives
5 us a partial view of the crisis facing blacks as landowners.
6 The Census only reflects land in farms or use and, accor-
7 dingly, given the underutilization of land available to
8 black farm operations, it is estimated that there is perhaps
9 an additional 3 or 4 million acres of land owned by 100,000
10 or more black families that receives little attention and
11 no Federal resources.

12 An apparent policy of "out of sight out of mind."
13 Mr. Secretary, let me put the problem of black landowner-
14 ship in historical perspective.

15 Historically, the black community in America has
16 been a community closely attached to the land. The vast
17 majority of the slaves were employed either directly in
18 field production or within some domestic activity on a
19 southern plantation or farm.

20 With the advent of Emancipation, the freedmen
21 necessarily remained largely in land-based pursuits,
22 usually agreeing to some sort of tenancy or sharecropping
23 arrangement with white landowners.

24 By 1910, non-whites, principally blacks, were
25 operating 890,000 farms, of which 218,000 were run by full

1 and part owners and 670,000 by tenants.

2 The black population of the U. S. at that time was
3 9.8 million. Without the benefit of a Homestead Act and
4 oftentimes in the face of hostility and violence, blacks
5 had managed to become the full or part owners of more than
6 15 million acres of land.

7 Within the American society, perhaps the most
8 urbanized group is the black community, a fact which is
9 especially startling when one realizes that the black
10 community was almost entirely rural less than a century ago.

11 The figures are quite dramatic. This massive
12 migration of blacks from the rural to the urban areas was
13 in large part also a migration from the South to the North
14 and the West, a pattern of movement which was witnessed
15 the South's percentage of black population decline from 89.7,
16 1900, to 53, 1970.

17 Although this movement constitutes a consistent
18 trend throughout the entire Twentieth Century, it was notably
19 accelerated at the time of World War I and its aftermath,
20 was notably decelerated during the depression years, and
21 reached flood tide proportions in the World War II period.

22 Although economics was generally the force behind
23 the migration throughout the entire century, there was a
24 noteworthy shift in the mix of the economic pressure being
25 exerted during the Fifties and Sixties as compared with the

1 earlier period.

2 Whereas the migration of the periods of the two
3 great wars had been stimulated by a "pull" exerted on the
4 southern blacks by the employment opportunities offered
5 by the factories, service establishments, and homes of the
6 North, the great black trek to the cities and to the North
7 during the Fifties and Sixties was greatly encouraged by a
8 "push" which the mechanization of agriculture and the
9 acreage set-aside programs exerted on the southern black
10 farm worker by rendering his labor surplus to his community.

11 Indeed, there was virtually no northern "pull"
12 during most of this period, for exapnding automation in
13 manufacturing and the services was creating its own unskilled
14 labor surplus in the North.

15 The deterioration of the quality of city life, the
16 increasing financial straits of our larger urban communities,
17 the burgeoning of our welfare rolls, are merely some of the
18 more obvious result of this flight from the land at a time
19 when the society was ill-equipped to absorb hordes of rural
20 oriented and largely untrained and unskilled migrants.

21 The social instability, to say nothing of the
22 human suffering, created by having a large and growing
23 population of uprooted and ill-trained persons living in
24 poverty and idleness is greatly enhanced by the fact that
25 the group in question is a readily identifiable racial

1 minority and is currently plagued with a serious identity
2 crisis and a search for a meaningful nationalism.

3 I am going to skip because my time is running out.

4 A strict economic calculus might suggest that the black
5 community, beset as it is by endless needs for capital for
6 its self-development, would be well-advised to sell off its
7 idle land and invest the proceeds in more productive activity.

8 Such a calculation is made, however, without due
9 attention being afforded to political, social, and psycho-
10 logical considerations which weigh heavily on the black
11 conscience.

12 Questions must be raised as to whether the stake
13 which the black community feels it has in the U. S. as a
14 nation is likely to be influenced by whether blacks own
15 any significant portion of the national territory or not.

16 How closely are roots in the land related to a
17 feeling of "belonging" or of "security"? Where do people
18 want to live?

19 Impersonal economic forces, operating in their
20 inexorable manner, have moved half of the black population
21 out of the South and three-fourths of it out of rural areas.

22 These peoples' wishes have not been consulted,
23 nor have the full consequences of this dramatic migration
24 been assessed.

25 The obvious deterioration of America's cities,

1 combined with the growing restlessness in suburban areas ²¹¹ as
2 both black and whites attempt to flee the cities as well
3 as to flee from each other, suggest that steps need be
4 taken to provide the one-quarter of the black population
5 which still resides in the rural South with a viable option
6 to remain where it is if it so desires.

7 We talk about what can be done in a policy sense.
8 We talk about policy changes in existing practices of USDA-
9 related agencies.

10 I would be happy to deal with the specifics that
11 lie behind the problem.

12 SECRETARY BERGLAND: Thank you very much. And now
13 the last panelist is Mr. Phil Raup.

14 STATEMENT OF DR. PHILIP RAUP, PROFESSOR OF AGRICULTURAL
15 AND APPLIED ECONOMICS, DEPARTMENT OF APPLIED ECONOMICS,
UNIVERSITY OF MINNESOTA

16 Thank you, Mr. Secretary. I have a statement I
17 left with you. I have abbreviated parts of it in the
18 interest of time.

19 There have been many references already today to
20 the sharp increase in land prices. That is not uniformly
21 distributed over the United States. I hope that is under-
22 stood.

23 Shocking to many people is the fact that California
24 had the smallest increase of any state in the last two
25 decades.

1 Minnesota has had the largest. Minnesota has had
2 a 400 percent. That is, the price today is 400 percent
3 of the 1972 price, which is the highest rate of change of
4 any of the 50 states.

5 The states of Iowa, Ohio, Indiana, and Illinois
6 are close behind. They fall into a similar group.

7 SECRETARY BERGLAND: Dr. Hjort says that is because
8 Minnesota is such a nice place to live.

9 DR. RAUP: I am going to propose some other reasons,
10 not denying the validity of his sentiment.

11 SECRETARY BERGLAND: That is not what he said,
12 but that is how I translated it.

13 DR. RAUP: The market has become a thin market,
14 confined almost entirely to people who can finance the purchase.
15 In the crop regions of the state -- and this is applicable,
16 I believe, in general throughout the corn belt -- from 85
17 to 90 percent of all the sales in the past year have been
18 to people who were buying the lands to add to the farmland
19 they already owned.

20 In Southern Minnesota, that reaches 90 percent.
21 The market is completely dominated by the add-on or expansion.
22 As a result, the market is very thin, subject to external
23 events, and it is confused with a very volatile element of
24 inflation psychology.

25 It is dangerous. There are many reasons for this

1 and many aspects merit discussion. I am only going to pick
2 one because of limits of time.

3 I am going to concentrate on the effects of our
4 tax policy. I do this because our tax policy is public
5 policy.

6 Beginning from 1970 to 1977, the portion of people
7 who were taxed over \$25,000 a year increased fivefold. This
8 real estate has provided the best solution to that market.

9 As a result, we have had through the working of
10 inflation and of the resistance of tax shelter arrangements
11 are primarily used only if you own real estate.

12 This results in a subsidy to farm enlargement.
13 This represents a use of the phenomenon of tax expenditures,
14 which has grown very large in recent years, particularly as
15 a consequence of inflation and of the very inventive creation
16 of new devices for permitting allowable deductions.

17 The result for agriculture is it gives a high
18 advantage in farm size enlargement to the mechanized farm
19 owner, to the one who is in a high income tax bracket, and
20 who has a very substantial debt to carry.

21 This is principally apparent through the treatment
22 of depreciation. Depreciation has become the major source
23 of internal capital formation in industry, accounting in
24 1978 for 66 percent of all internal cash flow, and it is now
25 happening in agriculture.

1 This is new. It has come about because of the
2 preferential treatment of capital gains in livestock and
3 land.

4 It comes about especially because of the way the
5 investment tax credit can be assigned to permit reduced costs.
6 Recent studies in the confinement, breeding, and feeding
7 enterprises, for example, show clearly that high income
8 taxpayer can reduce the average cost per pig produced by
9 about 25 percent, if he is in the 35 percent tax bracket,
10 over what the cost would be if he was in the zero tax
11 bracket simply because of the tax credit provisions.

12 A similar process would work in the land market.
13 If you have a capital gains rate well below a person's
14 marginal personal income tax rate, then there is a reward
15 for so arranging your affairs that you take advantage of this
16 gap.

17 At the present time, the capital gains tax rate
18 is at 29 percent. Virtually all of the progressivity in
19 the American tax system today is confined to those whose
20 incomes fall to in the range between approximately \$15,000
21 and \$75,000.

22 There is no progressivity in the corporate income
23 tax, which is a flat income rate of 46 percent. As a
24 result, the progressivity in our system is confined almost
25 entirely to the private single family enterprise, whether

1 farm or non-farm.

2 It falls on proprietary business. As a consequence,
3 there is a reward structure built into the system for people
4 whose incomes can be raised from about the \$15,000 range
5 to about the \$75,000 range, to do so and thereby have very
6 much larger marginal taxpaying rate against which to compute
7 their allowable deductions.

8 This is not characteristic of the corporate income
9 tax. It has no such effect on corporate systems. It is
10 only a characteristic of the personal income tax and of
11 those enterprises whose income is taxed through the personal
12 income tax.

13 As a result, we have a peculiarly sized increase
14 incentive built in. I believe this has not been understood,
15 and its consequences are a major part of the structural
16 concerns that have led to these sections.

17 I would like to point out two consequences. One
18 is the system is a subsidy to mechanization and to the
19 investment of capital and machinery.

20 By the same token, it is a penalty on the investment
21 of capital in gains or in biological enterprises. We have
22 an enterprise and an input mix in agriculture today that
23 reflects that subsidy.

24 We have under-rewarded investment in biological.
25 We have over-rewarded depreciable hardware. I think another

1 major concern is that this has stimulated monoculture in ²¹⁶
2 single one crop farming and one enterprise livestock feeding.

3 We have the large feedlot, the large big confinement
4 enterprise. This has been associated with the export of
5 unprocessed raw material to foreign markets to a degree that
6 now has reduced many sections of the grain belts of America
7 to a statistical measure that would categorize it as a
8 colony, if we used the measures we apply to the less developed
9 world in the sense that these grain belts are now exporting
10 major and significant fractions of their product in unpro-
11 cessed form to markets over which they have no control.

12 As a result, a good bit of the grain belt sector
13 in agriculture has the external appearance of a colony. As
14 a result, the single-purpose farm units that are increasingly
15 dependent on weather risks and world market prices, are
16 lacking in shock-absorbing capacity, and they are lacking
17 in capacity to alter that output mix quickly when price
18 signals indicate a change should be made.

19 I believe we see an agricultural structure that
20 is losing its capacity to adapt. Thank you.

21 SECRETARY BERGLAND: Thank you very much, Mr. Raup.
22 Mr. Bossi, I know you have to leave, and I have but one
23 question.

24 The commodity policymaking has generally assumed
25 that all farms were alike, and that is not true, obviously.

1 A large farm derives a great deal more benefits, greater
2 benefits, from price supports than a small farm.

3 We have about 1.6 or 7 million farms in the United
4 States that are really too small to keep a family fully
5 employed and they market very little as a group--10 percent
6 of the total or so.

7 Obviously, commodity policies are of no consequence
8 to them, even though the political slogan is, "Save the
9 family farm by establishing price supports," which I don't
10 buy.

11 Question: Do you think we should target on those
12 enterprises which are too small to keep the family fully
13 employed and try to find ways of them increasing their
14 employment opportunities either on farm or off as a separate
15 function under some heading we might call "world development"?

16 MR. BOSSI: I guess I don't think that is a bad
17 idea. My reaction to it is this: if we look at a farm
18 policy, we have to look at in an interdisciplinary way.

19 Keeping people on the land is something that goes
20 beyond the question of farm and food production and trying
21 to solve problems through farm subsidy programs.

22 If there is value in keeping people in the rural
23 communities, it could be rural development is the way to
24 go and permitting them to own a piece of land, produce
25 some food on it, but not see that as primarily their source

1 of income.

2 SECRETARY BERGLAND: Is there value in having rural
3 communities? What function do they serve?

4 MR.BOSSI: I don't think there is any question about
5 that. My reaction -- it seems to me I put a high value on
6 social diversity. It is the same kind of issue as monoculture
7 and agriculture, that we run great risks when we try to have
8 a society in which vast numbers of our people are living
9 identical life styles.

10 There is something to be gained, at least from my
11 experience in working with rural people, just for living on
12 the land, being close to nature.

13 People tell me, and I think it has been true from
14 my observation, that family life is different when you are
15 living on the land and having that experience of dealing
16 with the weather and soil.

17 If you accept that and accept the dynamics that
18 goes on in a rural community, that is somehow different from
19 the non-entity and lack of identity that exists in large
20 cities.

21 If you put some value on that, it is worthwhile
22 for the public, through the Government, to make an investment
23 in maintaining that life style.

24 If that means investing in rural development,
25 well, then, that is not a bad idea. I think we can do it

1 in ways that are economically viable and not a drain on the
2 public purse.

3 DR. HJORT: I have just kind of a conceptual
4 question. We have had some comments recently that perhaps
5 as a society we think too much in terms of a policy about
6 the cost to the individual or to the firm and not suffi-
7 ciently about the costs and the benefits to society as a
8 whole.

9 In one case, this has been brought up with respect
10 to the use of our land, our natural resources generally, and
11 a specific question that comes out of that or a suggestion
12 is that perhaps we should have a value added tax of some
13 sort on the products that are produced that is earmarked and
14 reserved to help ensure that our resources are in a better
15 state when we leave than when we took over.

16 We followed a different approach in the society
17 over the years. We have relied basically upon the individual
18 with limited assistance to incur stewardship.

19 I use that as an illustration, but my general
20 question is, are you really saying in your proposition here
21 that we as policymakers and as policy analysts needs to look
22 at costs and benefits in a broader context--much broader
23 than we have been heretofore?

24 MR. BOSSI: Absolutely. Well, I suggest there as
25 possible criteria you might use in looking at proposals in

1 the area of agriculture policy, for that very purpose--to
2 bring in those other dimensions.

3 A question I often face when I am dealing with
4 people in agriculture in trying to talk about soil conser-
5 vation is the question of who should bear the cost of that.

6 Why should we conserve our resources? It has
7 something to do with caring for the future and future
8 generations, and whose responsibility is that? Does it
9 fall on a certain sector of our society who happen to be,
10 at this point, the landowners?

11 I am not sure it does. If there are costs asso-
12 ciated with that, those costs should be assigned to that
13 sector of society who are responsible for the future, and
14 that is all of us.

15 And if you accept that principle, then you say
16 there should be some public investment in it, so you
17 distribute the costs properly.

18 So I have no problem with that principle. I think
19 you say what is socially good for the society for this
20 generation and the future, what costs are involved with it,
21 and how do we allocate those costs.

22 And if it means providing for the future is the
23 responsibility of everyone, that cost should be across the
24 board, hopefully through a more progressive approach to
25 taxing than Dr. Raup described that we have now.

1 SECRETARY BERGLAND: Thank you very much,
2 Mr. Bossi.

3 MR. BOSSI: Thank you for accommodating me.

4 SECRETARY BERGLAND: Mr. Walters, most of the
5 economists whose works I have read argue that farm profits
6 are capitalizing land values and that it really doesn't matter
7 where you sit: farm price support is all going to wind up
8 in land values, anyhow.

9 You can set corn prices at \$7.00 a bushel and
10 Iowa land at \$11.00 an acre, that is where it is all going
11 to wind up.

12 That is the one side. It may be an exaggeration,
13 but I think generally that is the case. It does flow through
14 land values.

15 I have no real argument with your basic notion
16 that there is nothing inherently unsound about tenancy.
17 Certainly not when it comes to expansion.

18 The policy question arises--we are confronted by
19 young families who perhaps own a homestead, an 80-acre tract
20 of house and buildings and rent other land, and they are
21 competing with their neighbors for that land, and landlords
22 are attaching enough artificial value to that land on the
23 basis of some land it sold in the neighborhood, and they
24 say the rent should be a \$100.00 an acre or more when, in
25 fact, the rent should be \$50.00.

1 Competitive forces put heavy pressure on the
2 tenants, and they come to me and the Congress and say raise
3 price supports because I have this heavy land rent to pay.

4 How do we reckon with this? If we are interested
5 in tenants, and I am, what kind of policy should we have
6 to help them through this difficult period, if any?

7 MR. WALTERS: I agree with your first premise that
8 any increase will be quickly capitalized into the price paid
9 for the land.

10 We can go back, as I have several times, to farms
11 we have managed for 20-25 years and the earnings of the
12 1950's were three percent, four percent.

13 The same farm today that will sell for four times
14 as much is still 3, 3-1/2, 4 percent. Earnings have not
15 changed; prices have changed and other things have made
16 that possible: rotation and some other things.

17 But price will be quickly capitalized in value
18 or the price someone else will pay, and you are absolutely
19 right: if you increase the price of corn, that is exactly
20 what will happen.

21 Your other premise that the cash rent or the
22 rent that the operator pays makes it difficult for him to
23 operate is one that is misunderstood, I think.

24 We have spotted in our experience as professional
25 farm managers many, many young people in farming. And you

1 don't start by buying land, as I said in my comments,
2 because you can't afford the luxury of borrowing money to
3 buy land when the interest rate is 12 percent or whatever.
4 When land will only earn three or four percent, that is the
5 last place in the world you want to invest your money.

6 I would not recommend it, and it is not right. A
7 young person can get started by renting a farm. We have
8 rented many to them with a very meager capital investment
9 in equipment and livestock, and I have encouraged those
10 people to buy land as soon as they can make the payment
11 service to debt, and I can show you 25, 35, 40, 50 young
12 operators who are no more than 35 years old who are landowners
13 today because they started as tenants with us on a farm we
14 managed for an absentee owner some 15 or 20 years ago.

15 I don't know if I have answered your question
16 satisfactorily or not. This is the way and the only way
17 that a tenant or young person can get started in farming.

18 There is just no other way, and we do it and do
19 it all the time. And the comment, there is no way they can
20 get started, is not correct.

21 It is difficult. It has always been difficult.
22 If it had been easy, I would be on the farm today. I went
23 to the service, came home, farmed for three years, and I
24 couldn't even buy a tractor in 1946 with the total proceeds
25 from my sale, and I said no way.

1 So I am now a professional farm manager--as
2 close as I can get to it without being a farmer myself.

3 SECRETARY BERGLAND: We have had land inflation
4 running at 15 percent a year for the last 10 years.

5 MR. WALTERS: It is running from 6 to 30 percent
6 in Iowa.

7 SECRETARY BERGLAND: Hasn't it doubled in the
8 last couple of years or so?

9 MR. WALTERS: Right.

10 SECRETARY BERGLAND: I know. I watch the reports,
11 too. People pay easily three times more for a piece of land
12 than it is worth as an income producer.

13 Sometimes they come to me and want an FHA loan
14 to pay off a loan they can't possibly handle out of earnings.
15 Other times, political pressure is to raise price supports,
16 and the tendency is to push indexes to reflect land inflation,
17 which we won't do, and it has caused some political commotion,
18 and that whole matter will be transferred to Capitol Hill
19 about a year from now for resolution.

20 Question: How do we or what do we do, if anything,
21 with this expectation that land inflation will continue?
22 We have said we will not feed it, and yet people go on and
23 willingly and knowingly pay three times more for a piece of
24 land than they know they could possibly service.

25 What drives people to pay those kinds of prices?

1 It is not the business judgment of the buyers; it
2 is something else.

3 MR. WALTERS: It is the business judgment of the
4 buyers because we have in our office today many, many people
5 who are standing with dollars in hand to buy land because
6 they are afraid of what is going to happen in the economy.

7 The land is, in their opinion, an excellent hedge.
8 They don't know where else to put their money where they can
9 feel safer. The land will be there even if it goes down.
10 The land is there.

11 So they are willing to pay.

12 SECRETARY BERGLAND: Excuse me. Go ahead.

13 MR. WALTERS: Even though the inflation might be
14 less than it has been, they certainly believe there is
15 going to be some inflation, and until they are shown a
16 positive step that it won't occur, they will continue to
17 pay more than the land earns.

18 It is that simple.

19 SECRETARY BERGLAND: Are these persons looking
20 for a tax shelter?

21 MR. WALTERS: Tax shelter is a very ambiguous
22 word. What tax shelter is there in land that has a few
23 fences and they rent it out? What tax shelter is that?

24 SECRETARY BERGLAND: Capital gains.

25 MR. WALTERS: There is an excellent estate tool, but

1 you can't get capital gains unless you die or sell it. So
2 as long as you are alive, what good is capital gains? But
3 it is an opportunity for them to enhance their estate, and
4 they are aware of that.

5 So it is a tax plan or --

6 SECRETARY BERGLAND: Mr. Brooks, one of the
7 problems I think are associated not just with blacks but
8 other persons engaged in farming on what are generally small
9 scale enterprises is that they are underemployed--they simply
10 don't have enough to do.

11 How do we deal with that matter? I have been in
12 the South, and I have seen persons who were displaced by
13 mechanization or whatever, and that is all true, but their
14 simple economic trap is they don't have enough to do. How
15 do we help them?

16 MR. BROOKS: First of all, I would disagree with
17 that conclusion when you look at the data. For example,
18 black farmers, and I have to apologize for not having a
19 handle on other categories of farmers to the extent
20 necessary, even though I know that small white farmers suffer
21 just as blacks, but the data shows those blacks who are
22 involved in agriculture, as little as they make, when you
23 look at their total income picture, they derive very little
24 from other sources or farm sources.

25 And when you look at the size of their operation,

1 which is considerably smaller than their white counterparts,
2 even in the Southeast, we can't conclude they don't have enough
3 to do.

4 The fact is, they don't have enough land to employ
5 the investment they have accumulated because it is a land
6 question, size of operation, that is correlated with the
7 income which blacks don't have as opposed to the productive
8 use of their assets. The data tells us that.

9 So that is my specific response: I don't think it
10 is a question of not enough to do. However, on the other
11 hand, when you look at the age structure of black farmer
12 operators whose sons and daughters are often in Chicago or
13 in New York because of circumstances, not being able to
14 attract them into agriculture, social as well as political,
15 during the time they were coming up, you have older folks
16 who just don't have the energy to do much more.

17 So you have idle assets, which I think is a
18 societal problem that deserves immediate attention.

19 SECRETARY BERGLAND: Should we worry about the
20 rate of attrition in that black community?

21 MR. BROOKS: Yes. I think we should.

22 SECRETARY BERGLAND: Why?

23 MR. BROOKS: You asked an earlier question. You
24 said why rural communities. I think that is the right on
25 question because in the black community we don't necessarily

1 like what has happened to us in Chicago and Detroit, stacked
2 on top of one another, being ill-prepared for the pull factor
3 that some economists have related to.

4 SECRETARY BERGLAND: The which factor?

5 MR. BROOKS: The pull factor. They pulled us out
6 of the South. We were pulled by mechanization, discrimination,
7 lack of access to resources in our community, and we went to
8 the Chicagos and Detroit of this world, and whatever jobs
9 we got, we got because we knew somebody, but certainly as
10 unskilled individuals in the first place.

11 So I think there is something to that. And those
12 who have remained -- and, understand, we are also talking
13 about a reversal, to some extent.

14 I don't know how long it is going to hold, but we
15 now see more black people staying than are leaving and many
16 more coming back.

17 Of course they are following jobs, but many of them
18 are unemployed, and we run into folks in Mississippi and
19 Alabama who talk to older individuals and we begin to get
20 into a discussion of what their offspring are doing in the
21 cities.

22 They are unemployed or they are in a county jail
23 in Chicago. If they, however, had the opportunity, if the
24 structure in Holmes County, Mississippi, for example, if
25 it didn't take a special politics of knowing the county

1 supervisor to get a loan, if it weren't so high-hatted about
2 who we decided is eligible or not -- and there is going to
3 be a suit against FmHA in Northern Mississippi because of
4 this discriminatory policy that we feel is being witnessed
5 on blacks.

6 Another question you asked earlier which I think
7 is vitally important and which I had thought about when this
8 administration first went into office is the whole idea of
9 a division of a separate unit to target resources and deal
10 specifically with small farmers; i.e., under some rural
11 development grouping.

12 At first I thought that was a good idea because the
13 attention that was being paid to agriculture and the importance
14 of exports for this country in terms of the balance of trade,
15 et cetera, but my experience and examination relegating so-
16 called special or exceptional problems into special little
17 units, the evidence is, in my experience, that they are lost
18 in the shuffle.

19 I think we should be looked at--small farmers,
20 large farmers--as a total mix, as a contributor to producing
21 food and producing income to the families.

22 I think it would be a mistake to set the special
23 problem of farm workers, blacks in agriculture or small
24 farmers, generally into a separate category because that
25 separate category would have little attention--policy

1 attention, that is--given the evidence of set programs in²³⁰
2 the past.

3 SECRETARY BERGLAND: Mr. Raup, you have said that
4 a greater proportion of the farm sales in Minnesota were
5 accounted for by expansion buyers -- 67 percent, I think --
6 in the last year.

7 DR. RAUP: For the state as a whole.

8 SECRETARY BERGLAND: Do you know whether or not
9 those numbers are fairly typical of the United States?

10 DR. RAUP: As a matter of fact, the 67 percent
11 figure is just about the same as the nationwide figure
12 reported by the U. S. Department of Agriculture, yes.

13 It is a rough rule of thumb: two-thirds of the
14 sales in the last few years have been to farm expansion
15 buyers nationwide.

16 Now that includes a wide range of sales--some
17 very small, some parts of farms, some very big sales, but
18 that is approximately correct both for the state and the
19 nation.

20 SECRETARY BERGLAND: How much of that do you think
21 is -- can be credited to tax policy--persons looking for
22 a shelter?

23 DR. RAUP: In a direct sense, not very much. In
24 an indirect sense, most of it.

25 SECRETARY BERGLAND: Explain that.

1 DR. RAUP: This is not only a consequence of
2 inaltion, but it strongly contributed to inflation in the
3 corn belt region of Illinois, Iowa, and Southern Minnesota.

4 The appreciation in land value since the Russian
5 grain sale of 1972 is approximately 20 percent annually,
6 although the figure you quoted is correct nationally.

7 So it has been a very sharp upward movement in
8 the cash grain and soybean producing regions. It is not
9 merely in the dairy regions.

10 In fact, it is sharply larger in Wisconsin than
11 the dairy regions of Minnesota. As a result, there has been
12 a tremendous incentive for people to form various forms of
13 business enterprises that would hold land for investment
14 purposes, and they do contemplate selling out.

15 In fact, some have come to me recently indicating
16 a very interesting development since Christmas and inquiring
17 about the mechanics of selling out, and we have, as you
18 well know, at least two well-documented cases in Minnesota
19 in which foreign owners have since Christmas approached
20 brokers and sought to put their large holdings on the market.

21 One is owned in Italy and one in Germany. These
22 people do not contemplate on a lifelong investment of their
23 capital to be passed on to their children and they have
24 been attracted by the very generous past treatment that
25 is now available for capital gains, and especially in real

1 estate.

2 There is another feature that is not easy to
3 document. An estate in stocks and bonds will be valued at
4 market as of the date of the decedent's death or as of the
5 date of transfer, and there won't be much debate about the
6 weights to use for value.

7 There will be debate about the assessments used
8 in estate and land, and they are systematic buyers in terms
9 of underestimating the size of capital gain.

10 We have some data from our own research that
11 suggests from estates probated that this underestimation of
12 the capital gain which could result from over-value at the
13 time of acquisition of under-valuating it at the time of
14 transfer.

15 It gives a distinct advantage to an estate in
16 land. This is generally true in real estate, and it is
17 especially true in farmland.

18 SECRETARY BERGLAND: My wife and I own 600 acres
19 of land in the valley country of Northwestern Minnesota,
20 leased to our daughter and son-in-law, on which we get a
21 cash rent.

22 My wife and I are getting a 10 percent return on
23 our investment plus the annual real estate taxes. And for us,
24 that is it, when our daughter and son-in-law are renting,
25 are running a profitable enterprise.

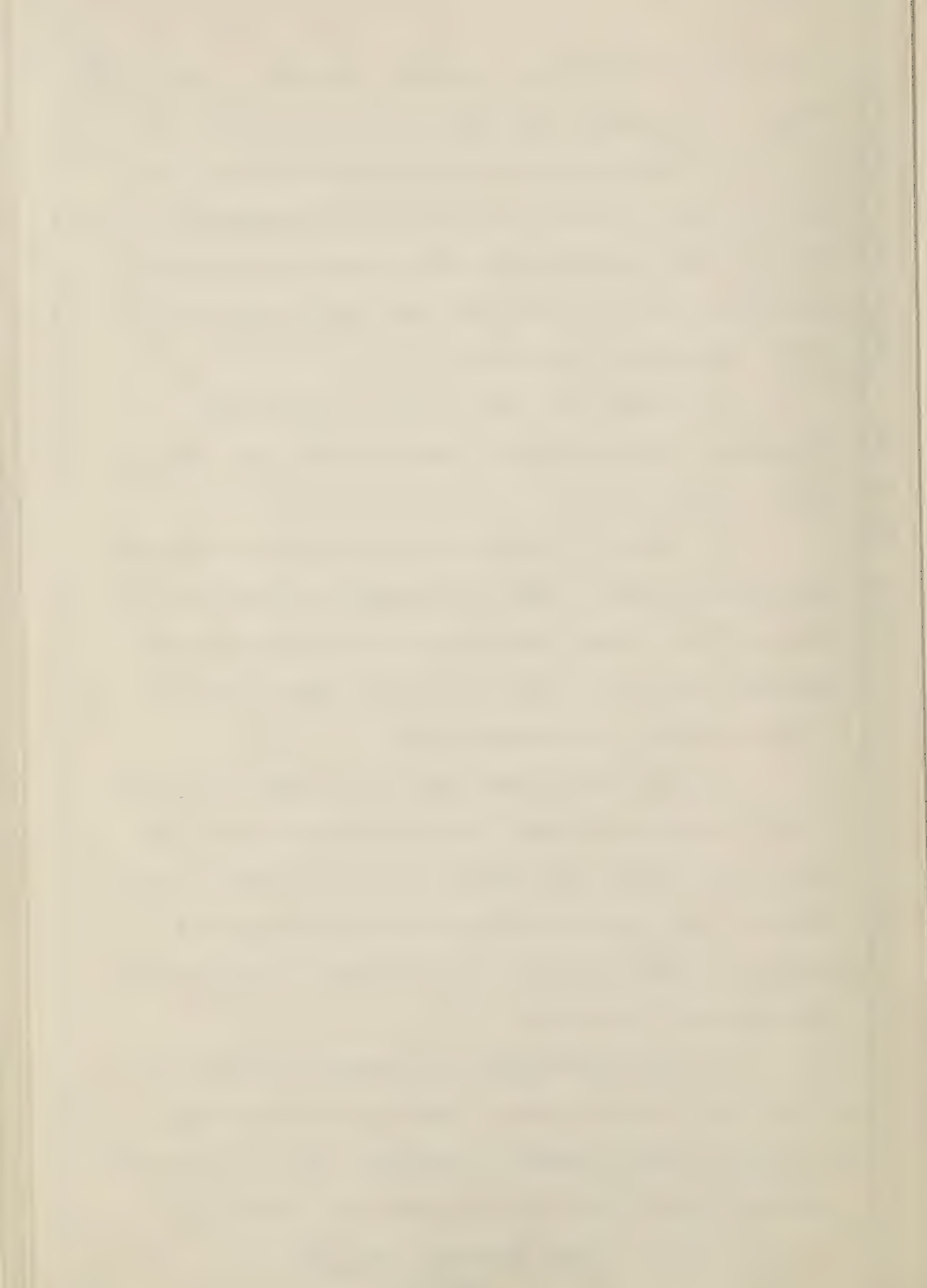
1 If I were to put up my farm for sale to the highest
2 bidder in my community, my own kids couldn't buy it. I
3 have got two neighbors, one on each side--one with 3,000
4 acres and one with maybe twice that much, and because of land
5 inflation have a capacity to borrow almost anyplace that
6 lends money that will price that land far beyond anything
7 my kids can possibly pay for it.

8 I suppose that sort of thing is going on
9 constantly. The question is, does it trouble us? Does it
10 bother you any?

11 DR. RAUP: It should, but perhaps for a different
12 reason than you had in mind. The people who acquired it
13 cheap and have it debt free and who can pledge it to buy
14 additional land is a finite market and a market that can
15 be exhausted with the passage of time.

16 You run out of those people. In some communities
17 we are running out of them. The neighboring farmer that
18 seeks to buy now runs up against his equally large neighboring
19 farmer who isn't going to sell out where there isn't a
20 population of small tracts to buy by using his appreciated
21 land as a basis for credit.

22 And as a consequence, the market, I believe, is
23 now in a very critical phase. There are simply not many
24 more tracts to be purchased in that way, and it is reflected,
25 I believe, in the fact that the volume of transfers last



1 year is the smallest ever recorded per thousand farms since²³⁴
2 the statistical series was begun in 1926.

3 SECRETARY BERGLAND: Would you repeat that?

4 DR. RAUP: The volume of transfers--this includes
5 voluntary sales, foreclosures, tax sales, and sales through
6 gifts or all other purposes--was the smallest volume as a
7 fraction number of sales per thousand farms, the smallest
8 figure since the statistical series was begun in 1926.

9 This is a thin market. As a result, it is a
10 volatile and subject to shock. The significance, the reason
11 we should be concerned is much of that capital value in the
12 real estate has crept into the support for production
13 credit.

14 By the back door, the production credit has not
15 been granted, but it has been carried at levels that would
16 have been considered dangerous were it not for what it was
17 thought to be: a safety net created by this very high value
18 of pertinent land.

19 If anything happens to tilt that down, it is
20 going to trigger a credit crisis, not because the land is
21 pledged to reduce the production credit formally, but because
22 it had been built into the comfortable feelings bankers
23 had in financing the holding --

24 We have a large stock grain in the country now
25 held by people who, in effect, have been speculating in

1 the future's market with their own grain, financed by their
2 own bank, who is made comfortable by the solid base of value
3 of that appreciated land.

4 SECRETARY BERGLAND: Inflated land.

5 DR. RAUP: Presumed value. If anything happens
6 to change that, it will change the psychology of credit in
7 a sense that has to do with much more than mortgage credit.

8 DR. HJORT: First, Mr. Walters. On your brief
9 statement on land use, I get the impression that you are
10 saying to us that continuing essentially with the policies
11 and programs of today is adequate, maybe with a little more
12 education push. Is that the intent of your statement on
13 land use?

14 MR. WALTERS: That is a fair analysis of what I
15 said. One of the speakers in the last panel made some
16 comments about resource control and so on.

17 Personally, I am very, very concerned about the
18 language in the Water Resources Act where it says you will
19 do this, you will do that, or.

20 I am not really anxious to have agriculture in
21 that position. I can take you again to an area which I
22 am familiar with and the area Secretary Bergland spoke about--
23 Southern Iowa.

24 It is true there are some examples that are just
25 horrendous in terms of soil erosion there in the last three

1 to five years as a result of certain things that have
2 happened.

3 But in that same area, probably very close to where
4 you were, we probably manage a farm on which we have put on
5 soil practices where there is no erosion.

6 These are not that expensive, and I said in my
7 comments erosion or the conservation, that doesn't cost.
8 And we are selling conservation through state agencies,
9 through local agencies, through the Federal Government,
10 on the basis that you are supposed to do it because it is
11 good.

12 People don't do things because it is good: they
13 do things because of economics. And economics say that it
14 is profitable. Therefore, we can sell conservation on the
15 basis that it pays.

16 And I can show you a farm that was derelict in
17 1956, absolutely worthless, cost \$100.00 an acre, and I
18 delivered the corn off of it last week and made 173 bushels
19 to the acre.

20 That was derelict land. The only thing we didn't
21 do was let the rest of it wash away. We haven't powdered
22 it. It has been in continuous corn. It has been infertile.
23 Since then, we used all the herbicides and chemicals we are
24 not supposed to use, but the grass is growing and the
25 waterways. I can drive anyplace I want to go. And if you

ask a conservation person, they will tell you that one-third²³⁷ of it should be in grass, another be planted with corn. It is a communication: doing the right things that we know how to do and letting our people understand what to do.

There is a lot we can do. And what we must do is adapt a policy that conservation pays and stop being so philosophical about it because it does pay.

We ought to do it because it is economically good as well as something we ought to be doing because it is going to save us for posterity.

DR. HJORT: Do you think we should modify the cost share type programs to provide -- to gear the incentive to the reduction in loss of soil, say for example, as a way of helping to demonstrate the basic proposition you were making?

MR. WALTERS: There is a paragraph in the Water Resources Act to this effect, and I put a big question mark out at the side because there is no way you can tell me how many tons of soil I am going to lose off of a particular field because you don't know whether it is going to rain three inches before that crop is actually out of the ground or how much residue is on top.

This is a very difficult thing to get a handle on. The important thing is the program you have there is consistent in leaving residue on the top that you don't plow,

1 that it is not exposed. If you don't do this, it doesn't²³⁸
2 go away, it doesn't wash away.

3 So I don't think you can tie it to that kind of a
4 program. But I am highly in favor of the support that you
5 can give to conservation efforts, and you should be certain
6 that these funds are expended for things that do actually
7 conserve soil as opposed to many of the programs in the
8 past, like putting lime on land. That is ridiculous. That
9 is a program we ought to do otherwise.

10 You ought to pay for terraces and these kinds of
11 things which really do control soil erosion. And I am highly
12 in favor of those kinds of things. And if you can encourage
13 people to do it --

14 We build them, anyway. As managers we are going
15 to build them by the thousands of miles because they do
16 conserve soil and they do pay, but some people aren't that
17 far along.

18 DR. HJORT: Mr. Brooks, do you find that there
19 are a lot of young blacks that want to engage in agriculture
20 and farming at the present time?

21 MR. BROOKS: Well, I wouldn't say a lot.

22 DR. HJORT: But more than can be accommodated?

23 MR. BROOKS: Yes, I think so. We heard about an
24 agricultural youth incentive opportunity, a new experiment
25 with this Department and the Department of Labor.

1 With that knowledge, along with the Federation of
2 Southern Cooperatives and the Southern Cooperative Develop-
3 ment Fund, we operate in a consortium together to do certain
4 things.

5 We did a quick survey and got a lot of takers
6 because what it came to with individuals--they were going
7 to be trained, number one, and number two, one of the built-
8 in features of the program which is absolutely essential
9 is that there was a great possibility for access to lands
10 in the program wherein that training substituted require-
11 ments --

12 What you have to do, I think, is compete. It is
13 an educational thing again. We are competing for their
14 attention.

15 Options based in young black youth today are the
16 military or to give a try at migrating north or to
17 Birmingham or to Atlanta as opposed to concentrating,
18 through the land grant college system, by the way, and the
19 extension service, concentrating on opportunities that can
20 be exploited by the community and in many cases involving
21 land already available out of title, out of production,
22 owners off, who knows where, not available for use.

23 What we are talking about in terms of competing
24 for the attention of young people, to consider it as an
25 option. First of all, we have to understand what is

1 happening, and then we have got to measure the cost of
2 that against a mix of opportunities and resources and some
3 kind of concentrated effort with the institutional base
4 that is already in place.

5 It is not as if we don't have the infrastructure
6 and contact with people and a lot of ideas, but it is a
7 dollar short and a day late too often.

8 DR. HJORT: Given that, that there is an insti-
9 tutional structure and there are individuals who want to
10 take advantage of this opportunity, what do you see as the
11 major barriers or constraints to accomplishing the goals
12 you are trying to accomplish and others that are working on
13 this problem and, within that, what could or should we be
14 doing in the Federal Government?

15 MR. BROOKS: I think, as I stated in my prepared
16 statement, it is really not about doing anything new. Most
17 of the programs are there.

18 I never thought I would say that, but they are
19 there. It is about attitudes. It is about attitude. You
20 go back a long way. It is about control of the marketplace.

21 When you look at what blacks are doing in agri-
22 culture, we are less diversified than any other group. We,
23 by the way, borrow less money than any other group.

24 We are also discriminated against in the credit
25 market. Witness your own Department's statistics on who

1 gets what in terms of ownership and operating allowance. 241

2 But the things are there. I think what it comes
3 down to is that we have got to look at the concentration that
4 is taking place in terms of land ownership, the vertical
5 integrated effect of agri-business on intra for others.

6 We have got to have more cooperation and interest
7 in various levels of cooperation through a cooperative
8 structure. I think it makes a lot of sense.

9 And it has to be an overall kind of educational
10 system, through the land grant colleges principally, that
11 talk about a multitude of occupations that are associated
12 with agriculture.

13 When we talk about agriculture, the only thing
14 a young kid can think about is how his daddy had to beg
15 somebody locally for some credit, that he came home dirty
16 and worked very hard and didn't make much money and that is
17 why he left in the first place.

18 But there is much more to it than that. We have
19 got to modernize our approach and our interpretation of
20 what is possible for these young kids as well, as opposed
21 to giving them a bum steer and non-direction in areas where
22 even the date is showing liberal arts is not doing much
23 for black kids.

24 When you finish college, you are retrained, in
25 the first place. So we have got to begin a new approach

1 with what we already have.

2 It is about developing attitudes and changing
3 attitudes and practices.

4 DR. HJORT: Thank you very much. Phil, I gather
5 that the major conclusion of your statement, for those of
6 us who are concerned about structure, including yourself,
7 is that a lot of this whole business of structure and what
8 is happening to it and what is going to happen in the future
9 depends upon the tax policy.

10 But that is probably as important or more important
11 than anything else that we look at. Is that it?

12 DR. RAUP: I told you that I was singling out one
13 aspect because it tied in with careful examination with
14 others.

15 I don't want to be cast in the mold of a one track
16 mind, focusing only on one dimension of the problem. Now
17 there are lots of other aspects, but if you ask me for a
18 top priority policy area in which Government policy clearly
19 can be manipulated and is being manipulated and is amenable
20 to change in the political process, then I do single out
21 tax policy as being symbolic as well as effective.

22 And I believe it is true that the effects of
23 inflation have made people more conscious of money given in
24 the form of taxes because of their escalating income and
25 their rapid escalation into higher marginal tax problems.

1 As a result, an economist's assumption that one
2 dollar equals another dollar in computing the production
3 function is no longer valid.

4 I think it is demonstrably true that people will
5 do things to escape taxes that they would not do for other
6 equally weighted dollar amounts.

7 And in that sense, I think tax policy has acquired
8 a significance that it had not had before. And by that, I
9 mean even as recently as five or six years ago.

10 So I do stress the significance of tax policy.
11 Could I add one more comment? I was quite interested in
12 the statement about conservation practices.

13 We have a conservation district in Southwestern
14 Minnesota, that includes the area that would be most like
15 neighboring sectors of Iowa.

16 And I have studied the map of the cooperatives with
17 the Soil Conservation Service in that district, and it is
18 an almost perfect map of the owner-operated tracts.

19 This is the area of the state in which lease and
20 rented land is the highest fraction of the total area. And
21 the land leased and rented in the area has, in general,
22 been leased and rented since the turn of the century.

23 There has been remarkably little change. The only
24 change has been a shift from full tenant operation to part
25 owner, but still the rented portion.

1 And still there has been in that district at least
2 a very poor correlation between rented land and soil conser-
3 vation cooperation with the SCS.

4 It has resisted. That has been true since the
5 system was inaugurated in the 1930's. That is a sobering
6 thought.

7 DR. HJORT: Let me make sure I understand. You
8 are saying it is the owner operators that are taking advantage,
9 that are cooperating with those programs.

10 DR. RAUP: Much of that land is owned in California
11 and Florida, and a great bit of it has been passed through
12 the inheritance process: people who were once the children
13 of the owners, but who have moved away, and some of them long
14 ago.

15 So there is a portion of it that is the terminal
16 function of the inheritance process. I reckon about seven
17 to 15 percent of the area which should be available for
18 lease at any one time where you have a frozen system, and
19 the area there is approximately 50 percent, which is far
20 more than you need to provide and flexibility in an
21 inheritance process.

22 SECRETARY BERGLAND: You gained Mr. Walters'
23 attention.

24 MR. WALTERS: I think where we should expand our
25 professional management business.

1 SECRETARY BERGLAND: Thank you very much,
2 gentlemen, for this excellent and provocative presentation.

3 (Applause)

4 SECRETARY BERGLAND: The next is a panel discussing
5 agricultural purchasing and marketing, composed of
6 John Anderson, President, Farmland Industries, Inc.,
7 Paul Farris, Head, Department of Agricultural Economics,
8 Purdue University; Mr. Edward Covell, with the National
9 Broiler Council; Dr. Kenneth Naden, President, National
10 Council of Farmer Cooperatives; Mr. Richard Goldberg,
11 Chairman of the National Grain and Feed Association;
12 Dr. Allen Thompson, Whittemore School of Business and
13 Economics, University of New Hampshire.

14 Gentlemen, we appreciate very much your coming,
15 and while we are 25 minutes behind schedule, we are going
16 to go 25 minutes beyond the hour so at least you are granted
17 an opportunity to say everything you are prepared to come
18 to say, if that meets with your approval.

19 Does anyone have an airplane problem, by the
20 way?

21 MR. GOLDBERG: I have one at 5:55, but I think
22 I might be able to -- if I have to get up --

23 SECRETARY BERGLAND: We will proceed with the
24 panel in the order in which you appear on the list, and
25 then if you have to go, we will understand. Okay,

1 John Anderson.

2 STATEMENT OF JOHN F. ANDERSON, PRESIDENT, FARMLAND INDUSTRIES,
3 INC.

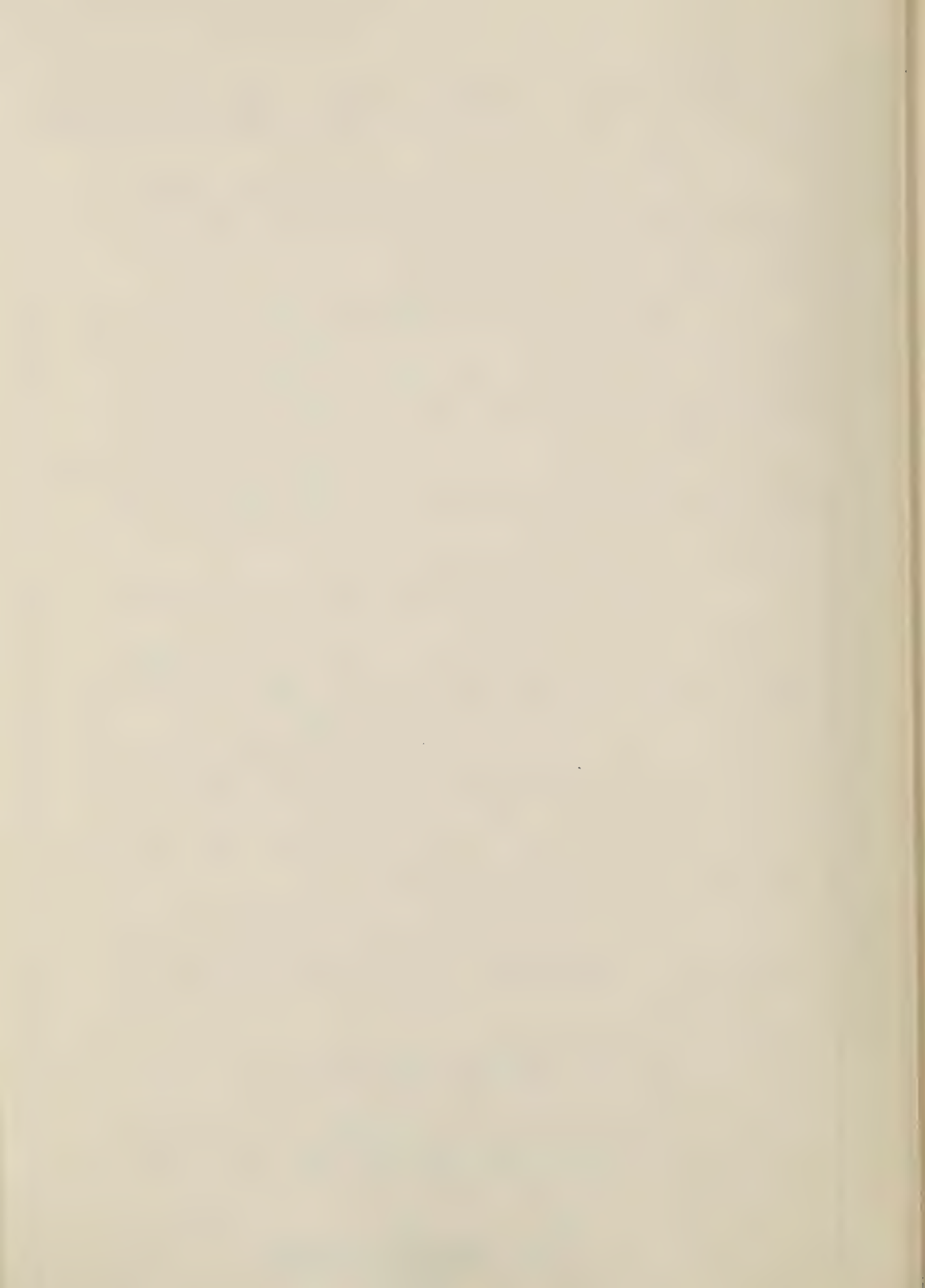
4 Thank you, Mr. Secretary, Dr. Hjort. We at
5 Farmland commend the Secretary of Agriculture for his
6 efforts on behalf of family farmers.

7 These hearings are themselves of information and
8 importance to the panel. No people on earth enjoy more
9 abundant and higher quality food than Americans, and no
10 segment of our economy is more productive and efficient than
11 the 3 percent of our population that feeds Americans and
12 millions more around the world.

13 It is no coincidence that more than 80 percent
14 of America's farmers belong to at least one cooperative.
15 Farmer cooperatives help family farmers remain independent
16 and economically stable by offering a dependable source of
17 farm supplies, by helping them fight inflation and control
18 costs, and by improving the farmers' share of the processing
19 and marketing of their production.

20 Why is a farmer-owned and controlled business
21 so critical to agriculture? Ask the farmers of Perkins,
22 Oklahoma.

23 During the fertilizer shortages of the early
24 Seventies, they watched with frustration as their non-
25 cooperative supplier loaded fertilizer for out-of-state



1 shipment, and then told his customers he had none to sell²⁴⁷
2 them.

3 He sold his product where the profits were greatest.
4 I am not inpuing the profit motive. But while other
5 suppliers maximized profit, often through overseas sales,
6 Farmland Industries and our member local associations supplied
7 every ounce of fertilizer we had to our farmer-members.

8 Everyone who knows that hamburger and bread do
9 not originate at the supermarket must also realize that a
10 dependable supply of farm inputs is as important to consumers
11 as it is to farmers.

12 The Perkins story, by the way, has a happy ending.
13 Those farmers took matters into their own hands and founded
14 the Cimarron Valley Cooperative. Next time they won't be
15 caught short.

16 Today thousands of farmers might be caught short
17 of fuel were it not for their cooperatives. Several major
18 oil companies have abandoned rural outlets in favor of
19 metropolitan markets.

20 A recent survey, documented for the Department of
21 Energy, disclosed that in 245 midwestern communities,
22 Farmland member cooperatives provided the only refined
23 fuels outlet in town.

24 The cost of distribution to rural outlets often
25 makes them less profitable than urban markets. But where

1 would we be if our farmers were left without fuel for
2 their farm machinery?

3 How do farmer cooperatives fight inflation and
4 control costs? Talk to the farmers in Vinton, Iowa. When
5 they formed the Vinton Cooperative four years ago, it was
6 reported fertilizer prices dropped \$10.00 a ton--even while
7 prices were rising in other areas.

8 Economic necessity is the mother of cooperation
9 and co-ops have always been on the front lines in the war
10 against inflation.

11 By providing competition--Vinton, Iowa, is just
12 one of many recent examples I could cite--cooperatives help
13 control the cost of farming and, thus, the cost of food.

14 Another economic advantage of cooperation is
15 brought home to farmers each year when they collect their
16 patronage refund checks.

17 The profits or savings of cooperative businesses
18 are distributed among their members in proportion to the
19 members' volume of business at the co-op.

20 In 1978, cooperative patronage refunds to farmers
21 in the state of Kansas alone totalled just under \$20 million.
22 Secretary of Agriculture Bob Bergland called cooepetatives
23 "absolutely necessary" as business extensions of farm
24 operations, enabling family farmers to compete on equal
25 footing with other sectors of this country's

1 highly-organized business sector.

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2 Farmland industries offers these recommendations
3 to help ensure the continued health of American agriculture
4 through its family farmers and their cooperatives.

5 First: Preservation of the Capper-Volstead Act,
6 the cooperatives' Bill of Rights, is absolutely imperative
7 to the future economic well-being of the family farmer.

8 Second: Agricultural exports are vital to the
9 economic welfare of family farmers and to our nation's
10 balance of trade.

11 We urge continued progress toward free and open
12 trade among nations. Farmland urges support for Federal
13 programs to help identify, study and encourage export
14 opportunities for cooperatives.

15 Aggressive cooperative exporting programs hinge on
16 capital availability, and we support action to permit Banks
17 for cooperatives to provide export financing.

18 Third: Farmland urges the establishment of a
19 combined cooperative research and consulting service with
20 agency status within the Department of Agriculture.

21 Fourth: Direct the benefits of Government programs
22 and policies to the family farm and those who seek to form
23 family farms.

24 To accomplish this, it is necessary that a
25 definition of the family farm be adopted. The definition

1 should recognize that the true nature of the family farm
2 lies in the control of decisions regarding the use of the
3 land by an individual and/or members of a family.

4 Decision-making control implies ownership,
5 intended ownership, or long-term rental of the land. A
6 family farm is a farm where primary labor and all of the
7 management is vested in the owner-operator or renter-
8 operator and related family members.

9 Summary: There is a closeness between the farmer
10 and his cooperative business which is unique in today's
11 world of corporate giants.

12 Where else in our economy can farmers and ranchers
13 share in the benefits of a business he owns and controls.
14 Where else in today's economy is there a corporation whose
15 basic objective is to improve the economic position of the
16 agricultural producer.

17 Where else is the board of directors policy decisions
18 guided by the question, "Is it good for farmers?" Thank
19 you.

20 SECRETARY BERGLAND: Thank you very much,
21 Mr. Anderson. Now Dr. Paul Farris.

22 STATEMENT OF PAUL L. FARRIS, PROFESSOR AND HEAD OF DEPARTMENT
23 OF AGRICULTURAL ECONOMICS, PURDUE UNIVERSITY

24 Thank you, Mr. Secretary. I have a brief
25 introductory comment, and then I would like to offer some
recommendations on Government policy with respect to

Acme Reporting Company

1 marketing.

2 At the outset, I find it useful to call attention
3 to supply variability in agriculture. That is caused by
4 biological and natural influences and by the economic behavior
5 of numerous decision-makers spread over a broad area.

6 Markets are well suited to the task of balancing
7 fluctuations in supplies and demands. Given the inherent
8 characteristics of agriculture, the unique advantages in
9 marketing will continue into the future.

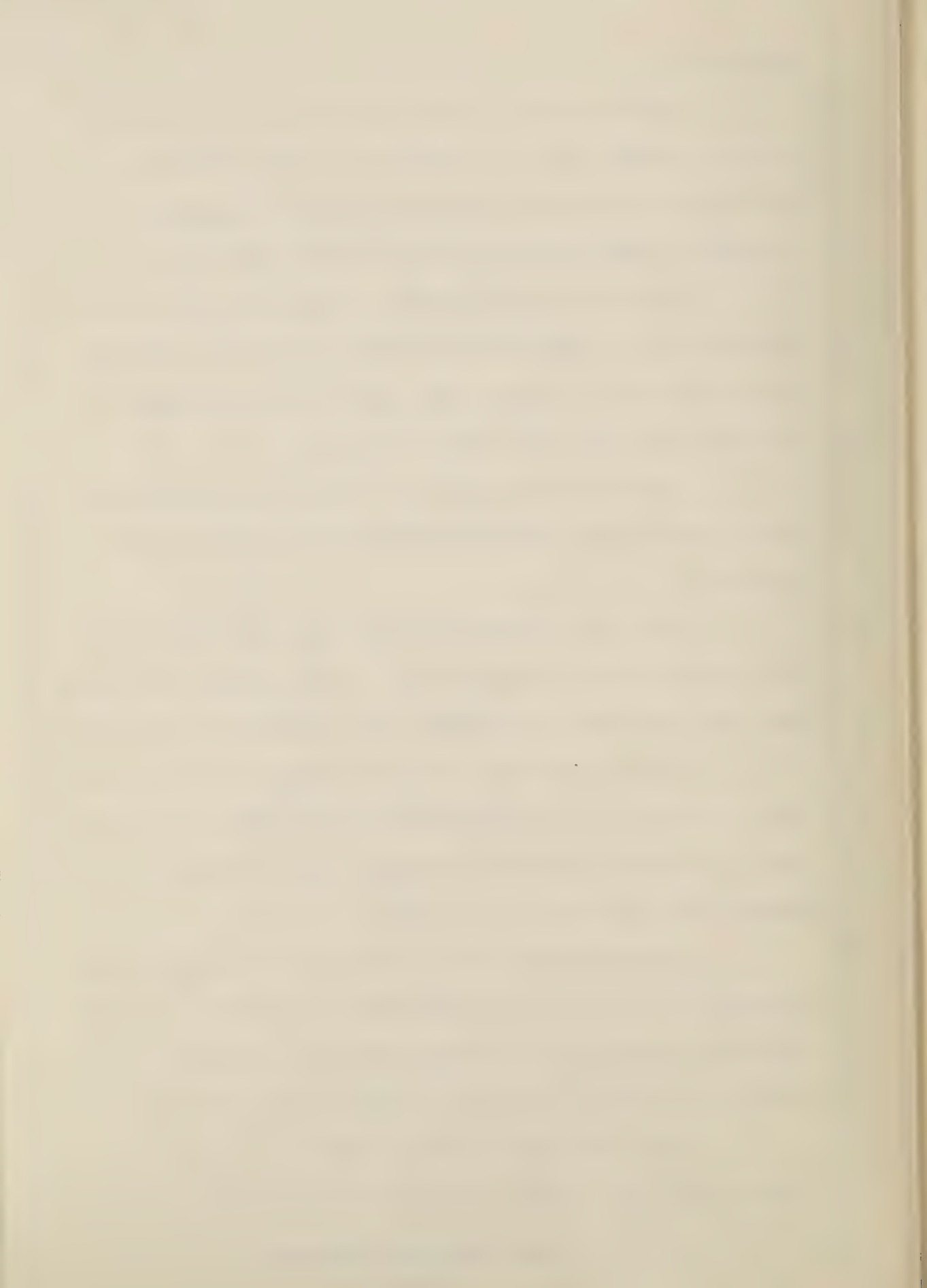
10 Another characteristic of more recent importance
11 is the trend toward industrialization of production and
12 marketing.

13 This has increased the farm size that has helped
14 bring about vertical integration. In many cases, unit costs
15 have been achieved by consumers and consumers have benefited.

16 But as contracts and other administrative arrange-
17 ments have tended to replace traditional markets, there has
18 come a question of control or where within integrated
19 systems key decisions will be made.

20 Given the well-known trend toward large size and
21 increasing concentration of business in a few firms in both
22 the input supply and the product marketing industries, the
23 shifting of control to these off-farm firms tends to occur.

24 This development affects farm structure by
25 encouraging large volume, regular supply flows and



1 standardization of quality.

2 Managerial freedom of farmers tends to be reduced
3 as some decisions are shifted to non-farm firms. Farm size
4 increases may be stimulated for some farmers who affiliate
5 with closely coordinated vertical systems.

6 Those farmers may find it inconvenient or unde-
7 sirable to become affiliated with such systems and either
8 choose to or are required to rely on traditional market
9 outlets.

10 Where traditional markets become increasingly
11 unrepresentative, costly or nonexistent, greater efforts
12 are required to search out alternative marketing opportunities
13 and develop optimal strategies in buying and selling.

14 Farmers are finding that they need to invest
15 an increasing amount of time and effort to do an effective
16 marketing job.

17 Attention to marketing tends to favor the larger
18 farmers because they can spread the cost of searching out
19 and evaluating buying and selling alternatives over more
20 units than can their intermediate and smaller size neighbors.

21 I now turn to implications for marketing policy.
22 The evidence does not convince everyone that increasing
23 concentration in agribusiness sectors and administratively
24 coordinated vertical systems are inevitable or necessary for
25 efficiency and progress in the agricultural economy.

1 In fact, high levels of economic performance can
2 probably be achieved with a variety of organizational
3 patterns, given appropriate policies and incentives.

4 Owing to the characteristic uncertainties in
5 agriculture, market coordination has many advantages. Also,
6 there is a commonly expressed preference by society for
7 decentralized decision-making and a wide distribution of
8 economic power in the economy.

9 Thus, the following market related policy steps
10 would seem to favor an independent family farm pattern in
11 much of agriculture and also be consistent with the goals
12 and values of the agricultural community and of society.

13 First, pursue a vigorous antitrust policy to deter
14 or reverse tendencies toward high concentrations of economic
15 power and facilitate the potential entry of new competitors
16 in farm input supply and product marketing industries.

17 Two, emphasize the role of cooperatives in the
18 development of purchasing and marketing arrangements for
19 independent farmers, in bargaining and in offering effective
20 competition where opportunities appear.

21 Three, strengthen market exchange processes. This
22 might include subsidizing the cost of operating market
23 facilities and experimenting with new marketing arrangements
24 such as electronic or computerized marketing.

25 Futures markets might be encouraged and supervised

1 in such ways as to increase their role as focal points for
2 competitive price discovery and their use and acceptance
3 as benchmark prices in establishing terms of trade at other
4 points in marketing channels.

5 Four: Increase the amount and distribution of
6 relevant and timely market information available. Authority
7 to require mandatory reporting of transactions data might
8 be desirable in some situations.

9 Five: Examine marketing regulations and marketing
10 services from the standpoint of their possible differential
11 impacts on various sizes and types of farm producers.

12 Six: Increase research efforts addressed toward
13 evaluating organizational trends and marketing policies now
14 in existence and determine the probable consequences of
15 alternative marketing policies, services and educational
16 activities on the structure of agriculture and on the social
17 and economic performance of the food and fiber system.

18 SECRETARY BERGLAND: Thank you very much,
19 Dr. Farris. And now to Mr. Edward Covell.
20 STATEMENT OF EDWARD H. COVELL, NATIONAL BROILER COUNCIL

21 Thank you, Mr. Secretary. I am from Easton,
22 Maryland, and we hope to see you there sailing our rivers
23 in the not-too-distant future.

24 SECRETARY BERGLAND: You will find me there every
25 weekend, especially when the weather is bad.

1 MR. COVELL: As a former Chairman of the National
2 Broiler Council, I am appearing today on behalf of our
3 national trade association for producers and processors of
4 broiler chickens.

5 Mr. Secretary, we appreciate this opportunity to
6 participate in this series of public meetings on the struc-
7 ture of American agriculture.

8 We are particularly interested in the topics to be
9 discussed by this panel on "Agricultural Purchasing and
10 Marketing" since the broiler industry in the United States
11 has had more experience with vertical integration and
12 contract production than any other segment of agriculture.

13 The broiler industry in the United States is
14 basically a two-stage agricultural industry, consisting of,
15 one, primary breeding firms and, two, vertically integrated
16 producer/processor firms that take the foundation breeding
17 stock and produce a ready-to-cook finished product under
18 a coordinated system.

19 The typical integrated broiler firm has one or
20 more hatcheries, feed mills and slaughter/packing facilities
21 and contracts with hatching egg producers and broiler growers.

22 It is estimated that over 90 percent of all
23 broilers in this country are produced on a contract basis
24 and over 95 percent of all broilers are produced by verti-
25 cally integrated firms.

1 Vertical integration emerged as a significant
2 organizational feature of the poultry industry during the
3 1950's.

4 It is the firm belief of members of the National
5 Broiler Council that the results have been very positive for
6 the integrator, the grower and, above all, the consumer.

7 No segment of American agriculture has contributed
8 more to the well-being of the American consumer than the
9 broiler industry.

10 Time does not permit more than a brief discussion
11 of a few of the positive aspects of vertical integration
12 in the broiler industry which I would identify as follows:

13 One: Prior to integration, the complete freedom
14 of choice of breeds, feeds, management practices and mar-
15 keting methods by individual producers resulted in irregular
16 supplies of chickens in the marketplace that were highly
17 variable in quality.

18 Standardization of production practices and
19 scheduling has eliminated many variables in quality and
20 provided ample supplies for consistently growing markets.

21 Approximately 10 pounds of chicken was consumed
22 in 1950, and it is projected approximately 60 pounds will
23 be consumed in 1980.

24 Two: A coordinated system of production has made
25 it possible for the broiler industry to rapidly adopt

1 technological advances in breeding, feeding, management,
2 disease control and processing.

3 The resulting increase in productivity has definitely
4 benefited the integrator, grower and consumer.

5 Three: Although vertical integration has not
6 changed the cyclical nature of the broiler industry, it has
7 served to insulate the grower from significant downside
8 risks.

9 As pointed out at one of the regional structure
10 meetings by a Northwest Arkansas farmer, "less risk" for
11 the grower is one of the overriding virtues of integration.

12 The former independent grower, who now raises
13 poultry under contract, said that while he was makes less
14 money per unit of production, the integrator absorbs the
15 market risk.

16 In addition to providing an easier way for young
17 farmers to become established, he said, contract production
18 allows farmers with marginal land for crops to stay in farming.

19 Four: In addition to the economies of scale that
20 are associated with vertical integration, there is another
21 factor which results in decreased costs to the consumer.

22 The coordination of vertically integrated functions
23 eliminates the multiple profit centers that existed when the
24 functions were performed independently.

25 It is perhaps a commonly held belief that consumers

1 will pay higher prices for food if farms become larger and
2 more highly coordinated.

3 Based on the experience of the broiler industry,
4 there is no factual basis for such an assumption. Rather
5 it is an indisputable fact that changes in the structure of
6 the broiler industry have resulted in substantial decreases
7 in production costs which, in turn, have been passed on to
8 the consumer.

9 As pointed out by Dr. Ronald Knutson in his address
10 at the 1980 Agricultural Outlook Conference, "...despite
11 inflation the nominal price of broilers was the same in
12 1978 as it was in 1950. The real price of broilers declined
13 45 percent while consumption more than doubled. Such
14 evidence over a 30-year period can hardly be viewed as
15 contrary to the consumer interest."

16 Mr. Secretary, it is not our purpose in appearing
17 here today to suggest that vertical integration is right or
18 wrong for other agricultural commodities.

19 We are not suggesting that the broiler industry
20 should serve as a structural prototype for American
21 agriculture.

22 We wimply with to make these points: Vertical
23 integration is an accomplished fact in the broiler industry;
24 we strongly and sincerely believe that vertical integration
25 is the best and most appropriate structure for the broiler

1 industry; and vertical integration in the broiler industry
2 has produced positive and lasting results for the integrator,
3 the grower and the consumer.

4 The broiler industry today can best be described as
5 dynamic, innovative and highly competitive. Our industry
6 can retain these positive qualities in the future provided
7 there is no additional government involvement and inter-
8 ference.

9 We believe that it would be a grievous mistake
10 for the government to suggest or promote any fundamental
11 changes in the structure of American sgriculture that would
12 penalize the efficient and productive sectors of agriculture
13 and thereby increase the cost of producing food.

14 SECRETARY BERGLAND: Thank you very much,
15 Mr. Covell. And now to Ken Naden.

16 STATEMENT OF DR. KENNETH D. NADEN, PRESIDENT, NATIONAL
17 COUNCIL OF FARMER COOPERATIVES

18 Mr. Secretary, Director Hjort, I am pleased to
19 participate in this hearing on behalf of the farmers
20 marketing, purchasing and credit cooperatives of the
21 country.

22 The National Council of Farmer Cooperatives is
23 a nationwide association of cooperative businesses which
24 are owned and controlled by farmers.

25 Its membership includes 118 regional marketing

1 and farm supply cooperatives, the 37 banks of the cooperative
2 Farm Credit System, and 31 state councils of farmer coopera-
3 tives.

4 National Council members handle practically every
5 type of agricultural commodity produced in the U. S., market
6 these commodities domestically and around the world, and
7 furnish production supplies and credit to their farmer
8 members and patrons.

9 Five out of six U. S. farmers are members of one
10 or more cooperatives. The National Council represents
11 about 90 percent of the more than 7,500 farmer cooperatives
12 in the nation, with a combined membership of some 2.5
13 million farmers.

14 Off-farm-operated, farmer-owned cooperative
15 business associations are neutral in their effect on
16 farm size and on the structure of agriculture -- that is,
17 the concentration of output from farms.

18 As cooperatives are formed, grow and mature into
19 viable, competitive, financially strong organizations,
20 they neither impede nor support increases in size of
21 operations of individual farmers.

22 Many marketing, purchasing and credit cooperatives
23 have been initiated by a small core of relatively large
24 farmers who were influential in their local community and
25 who could see the need for group action better than some of

1 their neighbors.

2 They may have had a better education and a broader
3 comprehension of the forces which influence the markets for
4 their products, the markets for their farm supplies and their
5 credit.

6 However, once the cooperative is formed, they
7 have kept their doors open to affiliation by large and
8 small farmers alike and have been democratic in their
9 influence.

10 The need for widespread cooperative activity by
11 farmers arises from the basic pattern and system of agri-
12 cultural production which developed in a society that
13 reveres private property and a government that was anxious
14 to see its vast land resources settled and farmed by
15 individual farmers rather than ny other way.

16 The greatest single benefit to the general public
17 of this kind of individual proprietorship type of farming
18 business, which combines the capital, labor and management
19 resources in oneperson, is that it results in a continuous
20 full-output policy.

21 No other type of industry in the entire economy
22 follows such a policy so consistently, sometimes even to
23 its own severe economic detriment.

24 This is the normal output policy of any atomis-
25 tically structured industry. The public should recognize

1 the great asset which it has in its present family farm
2 system of individual proprietorship and should be prepared
3 to pay a fair price for the products of these farms in order
4 to maintain this system unimpaired.

5 The public wants and deserves food security.
6 It has had, and now has, the best food security that can
7 be obtained.

8 It should also recognize that that food security
9 depends upon farmer security. Farmers must obtain adequate
10 security from the operation of strong, effective cooperatives
11 hat are active in off-farm markets or through government
12 programs.

13 As a direct result of the full output policy
14 described above, farmers have virtually no market power or
15 bargaining power in the marketplace for their products
16 or their production supplies and credit.

17 A full output policy usually results in surplus
18 production and a buyers' market environments. Even if
19 there were no imbalance in market structure between farmers
20 and those who furnish supplies and buy their products, the
21 buyers' market environment would ensure competitive returns
22 for farm products, frequently below cost of production.

23 Furthermore, in the business world there is
24 another factor which adversely affects the terms of trade
25 between farmers and their suppliers and handlers.

1 This is the great difference in bargaining power²⁶³
2 which comes from the striking contrast in market power between
3 farmers and the non-farm businesses.

4 The latter have considerable control over output,
5 hence considerable influence over price, and are able to
6 adjust production in such a way as to pass along a substantial
7 part of their increases in costs of production.

8 Secretary Bergland recognized this again in a recent
9 interview, saying: "Farmers really do not have any power
10 to pass along their costs."

11 Hence, it is well known that cooperatives have
12 been designed to help make farmers more competitive in
13 their relationships with non-farm businesses, and
14 have corrected, to some extent, the usual adverse terms of
15 trade which developed out of the conditions described above.

16 Farmer-owned and controlled cooperatives have a
17 major role to play in the American agricultural economy.
18 They are the American farmers' best assurance of achieving
19 economic clout in the marketplace when buying vital farm
20 supplies, when marketing farm commodities both here and
21 abroad, and when receiving financial services and credit
22 for their farming operations.

23 The nation's more than 7,500 farmer-owned
24 marketing and supply cooperatives, and the more than 1,000
25 farm credit associations, must be considered a critical

1 element to be included and protected in national agricul-
2 tural policy for this decade and beyond.

3 Then, Mr. Secretary, in a part of this paper I
4 address three topics related to cooperative activities that
5 are in the current area of public discussion.

6 I won't be able to cover those, but I will leave
7 them in my document and my summary statement is that
8 numerous Congresses of the United States have declared
9 directly and indirectly through the statutes that the
10 creation and successful operation of farmers' marketing,
11 purchasing and credit cooperatives are in the public
12 interest, and that farmers should be encouraged to use this
13 route to achieve greater security and fairer prices.

14 Numerous Secretaries of Agriculture have agreed
15 and have issued departmental policies to support and
16 implement this public policy.

17 In the light of present-day challenges, this
18 public policy should be continued and a high priority
19 should be given to recognition and implementation of steps
20 needed to maintain a favorable climate for the continued
21 operation and growth of farmer cooperatives.

22 I appreciate the opportunity to appear on this
23 panel today.

24 SECRETARY BERGLAND: Thank you very much,
25 Mr. Naden, and now Mr. Richard Goldberg.

1 STATEMENT OF RICHARD W. GOLDBERG, PRESIDENT, GOLDBERG
2 FEED AND GRAIN COMPANY

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3 Thank you, Mr. Secretary. I am here today
4 representing the National Grain and Feed Association, of
5 which I am its Agricultural Policy Committee Chairman.

6 We have been following with great interest the
7 meetings across the nation, and we are happy to be here
8 today to present a perspective for the grain and feed
9 industry.

10 I would like to focus very briefly on three
11 related marketing areas: one, the Soviet embargo; two,
12 compulsory farm bargaining and, three, transportation
13 policy.

14 The National Association activities and programs
15 are guided by its Code of Ethics which states, in part,
16 that it is "the strong belief of the National Grain and
17 Feed Association that the best interests of the country,
18 the public, and all levels of American agriculture are served
19 by a strong competitive market.

20 "Therefore, this Association dedicates itself to
21 encouraging and vigorously defending political and economic
22 circumstances which foster and encourage the viability,
23 health and expansion of free markets..."

24 Therefore, we strongly support the Department of
25 Agriculture's opposition to unworkable international grains

1 arrangements and establishment of a national grain board,²⁶⁶
2 thereby preserving free markets for agricultural products.

3 The Grain Embargo: The National Association is
4 concerned about governmental intervention into the grain
5 marketing system, particularly that which has resulted from
6 the embargo on grain sales to the Soviet Union.

7 The imposition of the embargo last January threw
8 the grain marketing system completely out of kilter.
9 Seventeen million metric tons of corn, wheat and soybeans
10 no longer had a market.

11 Nearly 3,000 barges were stalled in the Mississippi
12 River waiting to deliver their grain to the Gulf, and barge
13 freight rates plunged.

14 Elevator operators who had purchased grain at
15 Friday, January 4, prices or who had contracted for
16 transportation, faced losses running into the millions.

17 Farmers no longer had buyers for their grain.
18 Our traditional and time-tested marketing channels were
19 rendered useless as the Commodity Credit Corporation moved
20 into the domestic grain market.

21 Since mid-January it has purchased 4.2 million
22 metric tons of wheat and 2.5 million metric tons corn.
23 In addition, it has pledged to buy 510,000 metric tons of
24 soybeans.

25 The National believes that this government grain

1 buying program should be expedited quickly and never again
2 repeated.

3 The grain marketing system should be returned to
4 its normal and realistic patterns that are based on supply/
5 demand, pricing, margins, and operating costs.

6 Indeed, the requirement that CCC utilize the
7 usual and customary channels, facilities, and arrangements
8 of trade and commerce is contained in the Commodity Credit
9 Corporation Charter Act.

10 Controls on this one segment of our economy--
11 agriculture--have placed an unfair burden on producers and
12 grain merchandisers, and we urge that the "food weapon"
13 never again be used as the major tool in foreign policy.

14 Compulsory Farm Bargaining: The National
15 association opposes compulsory farm bargaining for several
16 reasons.

17 First, there is no need. Producers of agricultural
18 commodities already have authority to voluntarily join
19 bargaining associations with immunity from antitrust laws
20 granted by the Capper-Volstead Act.

21 Second, mandatory bargaining would be disruptive
22 to normal markets because prices would be established through
23 bargaining rather than in the competitive marketplace.

24 World-wide supply and demand factors would be
25 meaningless and the futures markets, which have been so

effective in price discovery, would become useless.

Third, bargaining has the potential to price commodities above the world market price. Fourth, prices to consumers ultimately would increase.

Fifth, compulsory farm bargaining likely would necessitate the establishment of a giant bureaucracy to administer the programs.

And sixth, judging from the extensive litigation and court decisions under the National Labor Relations Act in defining the term "bargaining in good faith," we can expect that the courts would be overtaxed in their attempts to define and refine the term as applied to agricultural producers and handlers.

I would like to talk briefly about the transportation. There can be no doubt that the state of our nation's transportation system is an issue of overriding concern to agriculture and agribusiness--this was a recurring theme through the 10 regional meetings.

The National's official transportation policy, copy attached, states that "A strong viable transportation system is necessary for the grain and feed industry to continue as an important segment of American economy.

"To assure such a system, legislative, administrative and judicial activities must be geared to promote competitive, effective and economical transportation services

1 by, among and between all modes of transportation."

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2 Briefly stated, the policy calls for the continua-
3 tion of a privately operated railroad industry, permitting
4 greater latitude by management in operating the system
5 efficiently under reasonable performance standards in the
6 absence of archaic work rules.

7 In conclusion, Mr. Secretary, we see a bright
8 future for American agriculture only if the grain marketing
9 system can operate in world markets unfettered by arbitrary
10 government interference.

11 SECRETARY BERGLAND: Thank you very much,
12 Mr. Goldberg. Now our last panel on this group,
13 Dr. Thompson.

14 STATEMENT OF DR. ALLEN THOMPSON, ASSISTANT PROFESSOR OF
15 ECONOMICS, WHITTEMORE SCHOOL OF BUSINESS AND ECONOMICS,
UNIVERSITY OF NEW HAMPSHIRE

16 Thank you, Mr. Secretary. The concerns raised
17 in the regional meetings about the structure and consequences
18 of agricultural product markets were many and varied.

19 It is clear from reading the summaries of these
20 meetings that different parts of the country and different
21 groups of farmers and consumers have very different ideas
22 about the ideal structure and the desirable role of govern-
23 ment.

24 In the brief time allotted to me, I cannot hope
25 to address each of these concerns. I have chosen to focus

1 principally on what I see as the undesirable effects of
2 the present marketing system on small and low income farmers
3 and to suggest some directions for policies which would
4 improve the options for that group.

5 It is generally recognized fact that the marketing
6 system through which the bulk of food products reach today's
7 consumers is increasingly becoming more concentrated.

8 Fewer and larger farmers facing fewer and larger
9 buyers. For many small farmers, access to these markets
10 is difficult and, when available, often the terms of
11 access are poor.

12 The reasons cited for this range from "economies"
13 associated with dealing with larger producers to undependable
14 quantities and qualities of products produced by small
15 farmers to the pressures of unequal bargaining strength
16 of small farmers facing large marketing firms.

17 There is little doubt in my mind that the structure
18 of current marketing systems has been a major contributor
19 to the declining role of small scale producers in American
20 agriculture.

21 Viewed from the standpoint of total volume of
22 agricultural production, or from the standpoint of agri-
23 business marketing concerns, the declining role of small
24 farmers is of no major concern.

25 From a social standpoint, however, the highly

1 touted "efficiency" of this system can be questioned.

2 While there have no doubt been some advantages, many of the
3 real costs of urban congestion, rural poverty, increased
4 dependence on cross-country distribution systems high in
5 energy use, increased concentration in the processing and
6 distribution of food products, are costs attributable to
7 the current structure of agriculture.

8 Moreover, the lost options for small farmers,
9 many of whom not only prefer farming but are also faced
10 with limited non-farm income possibilities, must be
11 considered a cost from a social perspective.

12 I do not propose to disassemble this system, but
13 I do propose we give serious consideration to the total
14 consequences.

15 I believe strongly in the principle that economies
16 function best when individuals -- in the present case,
17 farmers and consumers -- are presented with options.

18 The current trend, however, seems to be toward
19 limiting rather than expanding options in agriculture.
20 Some of the policies I would suggest would aid farmers
21 seeking to market their products through the present
22 system.

23 Providing farmers with more information about the
24 expected grades, standards, and varieties could reduce some
25 of the problems the present system has had in dealing with

1 small farmers.

2 Increased information about prices and available
3 markets outside the local area could help overcome some
4 of the problems small farmers face in dealing with localized
5 concentration.

6 Monitoring and regulating terms of contracts could
7 help alleviate some of the abuses of that system. Helping
8 to organize small farmers into successful producer coopera-
9 tives could help them to deal with market power possessed
10 by buyers.

11 This could also make small producers more econo-
12 mical to the marketing concerns which demand integrated,
13 coordinated delivery of relatively standardized products.

14 In fact, I see a dismal future for small farmers
15 who market within the current system unless they can become
16 members of strong cooperatives capable of countervailing
17 the power on the other side of the market.

18 For a number of small farmers, however, more
19 desirable options are available through the use of one or
20 more kinds of direct marketing.

21 I take serious issue with the authors of the
22 "Second Annual Report to Congress on the Status of the
23 Family Farm," who conclude that, "the potential impacts
24 of farmer-to-consumer direct marketing on the structure of
25 agriculture are quite limited."

1 This conclusion is true from one perspective.
2 Direct marketing options will not cause a major revolution
3 in the structure of agriculture nor will the bulk of
4 agricultural products move in this way.

5 However, the conclusion misses the fact that
6 direct marketing options have proven their worth in many
7 areas both in terms of increased income for farmers and
8 by the test of the marketplace -- consumers have clearly
9 been willing and, by most indications, are quite pleased
10 with the opportunities presented by these alternative
11 markets.

12 Despite a growing acceptance of the finding
13 that cooperatives and direct marketing options are desirable
14 for the continued survival of small farmers, there is
15 only a limited and somewhat fragmented effort towards these
16 ends, with much of the activity taking place outside the
17 scope of the agricultural establishment.

18 Moreover, it would appear -- and the brief
19 experience under the Direct Marketing Act of 1976 can be
20 used as a principal example -- that most of these efforts
21 are viewed both as experimental and marginal.

22 It can be hoped that state departments of
23 agriculture, the extension services and land grant experi-
24 ment stations, as well as the USDA, will expand their
25 interest in and activities in support of these two goals.

1 At the Federal level, increased attention should
2 be given by the cooperatives service branch of the Econo-
3 mics, Statistics, and Cooperatives Services to organizing
4 small farmers into successful cooperatives.

5 Additionally, serious consideration should be
6 given to establishing an Alternative or Direct Marketing
7 Service, patterned after the Cooperative Service and
8 staffed with persons knowledgeable in alternative marketing
9 systems and capable of providing technical support to groups
10 exploring alternative markets. Thank you.

11 SECRETARY BERGLAND: Thank you very much,
12 Mr. Thompson. I will pass on a piece of news which I
13 think we would have to put under the heading of hearsay,
14 but the networks are reporting that President Carter is
15 going to nominate Senator Muskie to be the Secretary of
16 State. That is hearsay.

17 If it is all right with you, I would like to
18 direct a question to Mr. Goldberg because I know he has a
19 plane to catch, and then we will get back on schedule.

20 MR. GOLDBERG: I think I am all right,
21 Mr. Secretary.

22 SECRETARY BERGLAND: I will pick on you now. He
23 is a neighbor: I can do that.

24 MR. GOLDBERG: I tried.

25 SECRETARY BERGLAND: A couple of things. First

1 of all, on the transport matter, you made reference to the
2 need for general deregulation and the encouragement of
3 intermodal competition in transportation.

4 I generally think that is a sound approach. The
5 railroad industry needs to be restructured because it was
6 laid out a hundred years ago and things have changed
7 substantially since that time.

8 Duluth has become a major seaport, and all that
9 has happened. My question is, what about the dependent
10 community? What about the town out in the middle of
11 North Dakota that has only one railroad and it is miles by
12 truck?

13 And with fuel penalties in trucking, it really
14 leaves a problem for them.

15 MR. GOLDBERG: Mr. Secretary, you are talking
16 about a branch line?

17 SECRETARY BERGLAND: It could be. I am thinking
18 if we leave the transport, the placing of transportation
19 service, to the marketplace, obviously a railroad company
20 would have to decide whether or not to invest \$100,000 a
21 mile or more to upgrade the track, and a lot of that simply
22 won't justify that kind of investment. What then?

23 MR. GOLDBERG: Basically, I think what you are
24 talking about, Mr. Secretary, is a branch line probably
25 where you have a small rural community that is solely

1 dependent on the operation of that branch line for its
2 continuance.

3 I guess personally I would have to say that at
4 some point in time those branch lines will no longer be
5 with us as they are now, of course, a part of the nonproduc-
6 tive, non-income producing cycle for the railroad industry.

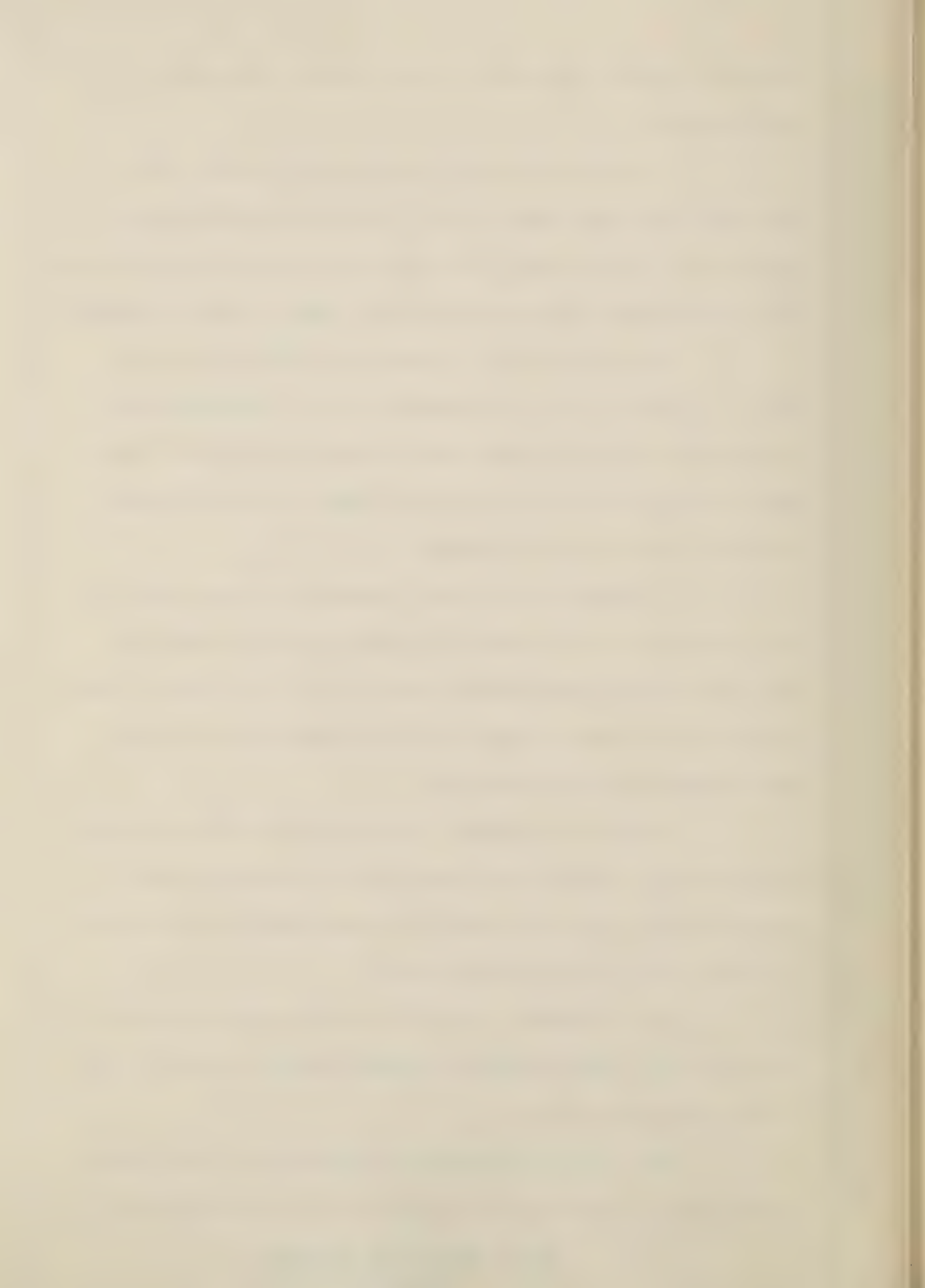
7 The answer, if I relate it to our part of the
8 world, I think, is all the building up of sub-terminals,
9 the pooling together under one or more facilities -- and
10 some of that is going on in North Dakota now -- I think
11 that will have to be the answer.

12 I believe the farmers located in those areas --
13 and, to some extent, they are already doing it with the
14 introduction of larger trucks and so on -- will have to go
15 greater distances in order to market their grain by the
16 use of service transportation.

17 SECRETARY BERGLAND: Do you think this is likely
18 to evolve to a point where mainline railroads will be
19 patronized by unit train operators serviced by satellites
20 in which grain is hauled by truck?

21 MR. GOLDBERG: I think you are going to have a
22 combination. North Dakota is unique because we have such
23 a wide variety of crops.

24 And if you relate that to the unit trade concept,
25 we are not in the same ball game as Southern Minnesota,



1 Iowa, and so on. But I think essentially I agree with you²⁷⁷
2 that some combination of the terminal or a central area
3 will have to be the answer, and you are going to have it.

4 SECRETARY BERGLAND: If you put on the other hat,
5 representing the National Feed and Grain Association on
6 the matter of food as a weapon, obviously it has an impact
7 on agriculture and probably, to some extent, on the structure
8 of agriculture.

9 Unfortunately, we live in an imperfect world and
10 we deal with people who don't do like we would do. So from
11 time to time, the President is forced, for reasons of
12 national security, to take actions that were not expected:
13 the Iranian question.

14 We have complete emgargoes against Cuba, North
15 Korea, and other countries. Are you suggesting that the
16 question of trade and agriculture should be separated from
17 matters of national security?

18 MR. GOLDBERG: I think a lot depends on the
19 circumstances. If you are referring, Mr. Secretary, to
20 the situation as it was on January 4th, I would disagree
21 with the administration's using the weapon in that particular
22 instance.

23 And we certainly haven't impressed the Russians
24 into getting out of Afghanistan, which was the prime reason
25 for doing it.

1 SECRETARY BERGLAND: On the other hand, of
2 course, the argument we are not going to debate the Russian
3 grain embargo.

4 But the fact of the matter is, the real world in
5 which we live is political events that do have an impact of
6 agriculture because of its evolution.

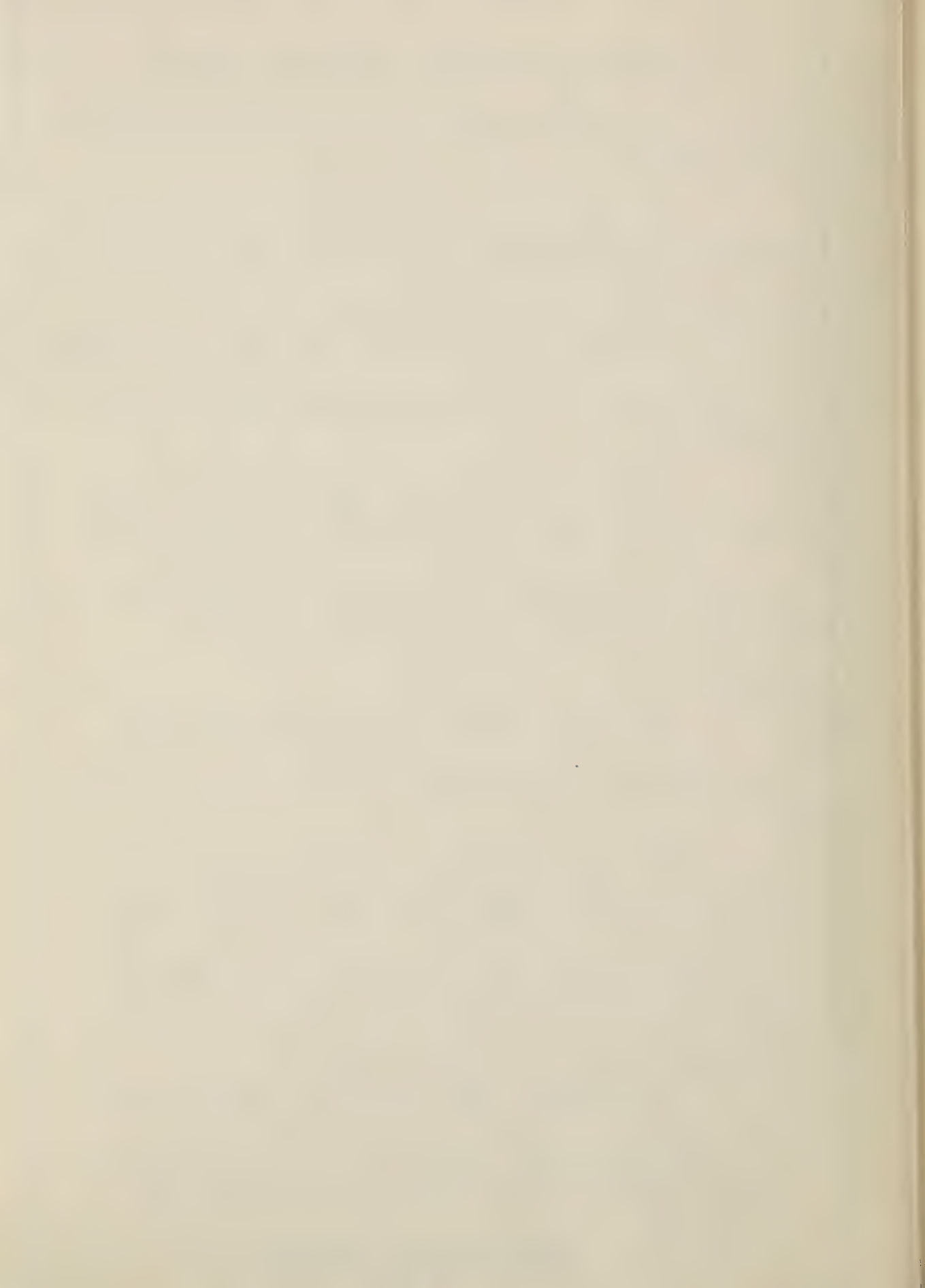
7 We have gone from a highly diversified subsistence
8 kind of agriculture, but the application of technology has
9 changed that.

10 There is a monoculture. They grow one or two
11 crops, probably, but they are not highly diversified, and
12 they depend upon markets halfway around the world, and
13 they are interrupted by things not anticipated, not
14 expected.

15 What do you think Government should do about
16 that? How can we help, I guess is what I am getting around
17 to?

18 You can't tell what is going to happen in the
19 Soviet Union from one week to the next, and yet -- there
20 is nothing we can do about the expansion of agriculture
21 in Brazil, yet it is happening and it has an effect on
22 the policies back in the United States.

23 MR. GOLDBERG: Mr. Secretary, I firmly believe
24 we are telegraphing the wrong signals. We are telling
25 the Brazilians and the Argentinians to grow more grain



1 because we have adopted a national security policy whereby
2 we will, on occasion, use food as a weapon.

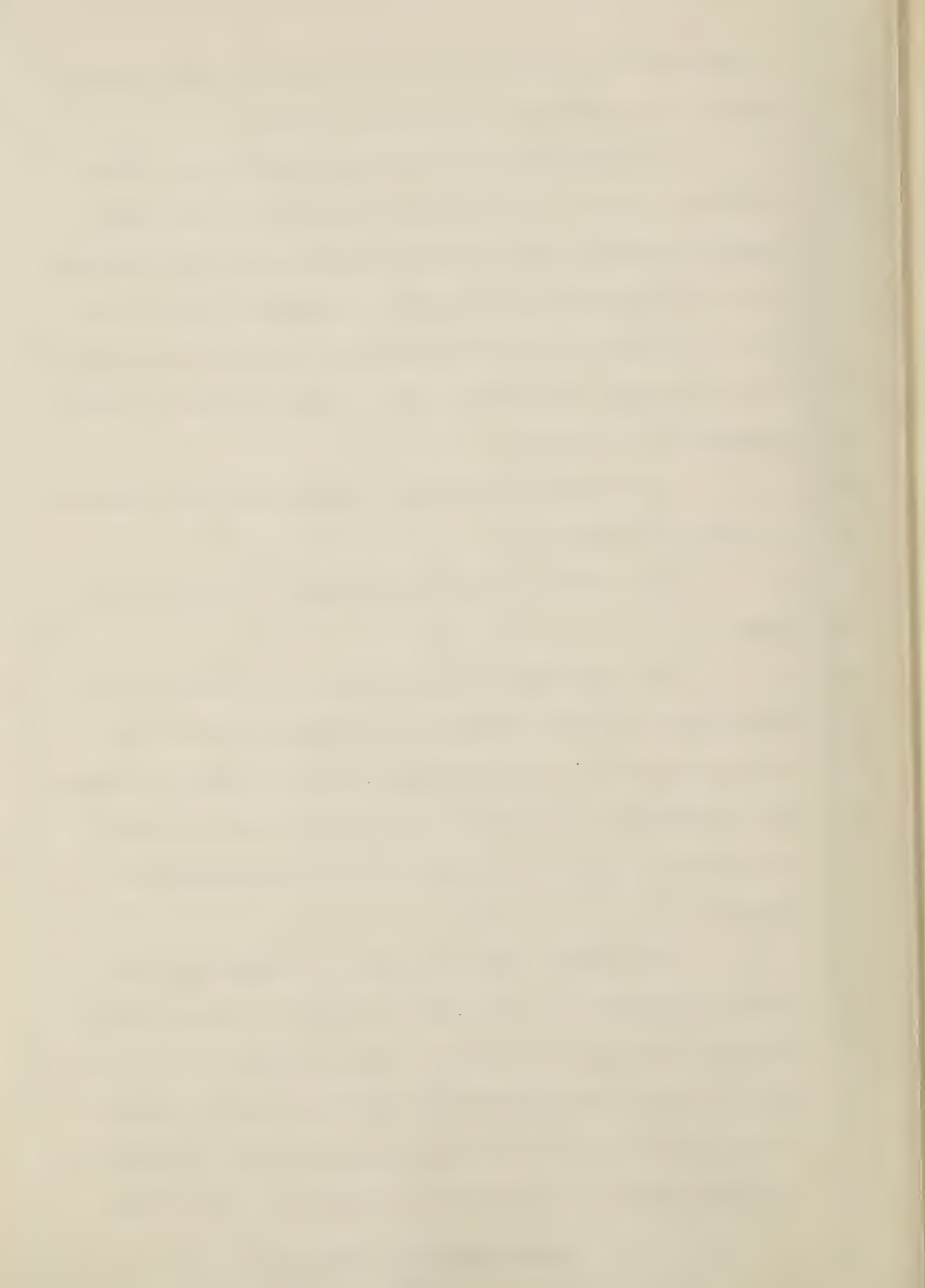
3 I just think -- I recognize that it is simple,
4 possibly, for me to sit here and say, with all of the
5 ramifications and the tremendous pressure on the President
6 on the decisions he has to make, the options open to him,
7 but I just think that food and trade is a very poor thing
8 to use because, most of all, it is very difficult, if not
9 impossible, to enforce.

10 And we have seen since January what has occurred
11 in the Soviet Union.

12 DR. HJORT: What have we seen? What have you
13 seen?

14 MR. GOLDBERG: Well, I think, if you watch the
15 Department's updated figures since January 4th and what
16 they predicted in the additional months and weeks following
17 the suspension of the sales, the Soviets have obviously
18 been able to acquire nearly all of what they needed to
19 acquire.

20 DR. HJORT: Precisely what we suggested right
21 after the suspension they would be able to acquire; right?
22 You don't see any difference in the estimate of what they
23 have obtained now from what we said they would be likely
24 to be able to obtain in the testimony that the Secretary
25 of Agriculture gave and the Under-Secretary gave in the



1 days immediately following the suspension, do you?

2 MR. GOLDBERG: Obviously, I am incorrect. It
3 seems to me the percentages have increased, but I may be
4 wrong.

5 DR. HJORT: They have not.

6 SECRETARY BERGLAND: Well, you put your finger
7 on a very important matter because I think if we were to
8 say that we are going to resume commercial relationships
9 with Iran, as the matters now stand, there will be revolt
10 in this country: people wouldn't stand for it politically.

11 And we live in a political environment. So these
12 are things that do have an effect, and we don't have a very
13 good system of safeguards in Government now to take care of
14 any -- the consequences of some action that may be driven
15 or precipitated by foreign power that has designs on us.

16 That is one of the matters that we must examine
17 carefully as we grow into a global market, and we surely
18 are.

19 There isn't any question about that. In spite of
20 the Russian actions, exports this year will break all
21 previous records by \$6 billion and by 12 million tons.

22 There isn't any end in sight for the program:
23 the demand for agricultural exports. But that heightens the
24 risks involved back on the farm again.

25 It creates all kinds of disturbance and the markets

1 are depressed for a lot of reasons. Part of it is anti-
2 cipation. We have to get on. Time is flying by.

3 Mr. Anderson, what do you think is the proper role of
4 co-ops in the marketing structure?

5 I am trying to sort out whether or not they
6 ought to helped or encouraged, whether they can take care
7 of themselves, whether they confine themselves primarily
8 with the large-scale farmer who is looking for an economic
9 advantage through a cooperative or if they have, for lack
10 of a better term, the social awareness of needs of the
11 small farmers who don't have the same kind of economic
12 leverage the large-scale farmer might have.

13 What about this whole business? My dad used to
14 talk to me about cooperatives like he was going to church.
15 And people nowadays look upon cooperatives as a business
16 enterprise. In some cases, it has no soul; only a bank book.
17 What about that?

18 MR. ANDERSON: I think cooperatives are a very
19 important and an integral part of the whole agriculture
20 system.

21 The size -- you mentioned the size, large or
22 small farm -- I think there is a definite place for both
23 the large and the small farmer within the cooperative
24 system from the standpoint of the purchase of inputs and
25 also on the marketing side of that particular farm.

1 If it is a farm that doesn't market any products,
2 then I suppose he doesn't need a cooperative marketing
3 system. But as long as he is big enough or has the desire
4 to market and there is a co-op in his area, there is no
5 reason why he can't be a member of the cooperative market
6 itself.

7 As far as the help, I think, as a part of
8 management in one of our country's largest cooperative
9 systems which embraces both marketing and farm supplies,
10 I would say we need an opportunity to be able to get
11 started, and that is why we mentioned the maintenance and
12 the preservation of the Capper-Volstead Act.

13 I think in the early years, in the beginning years,
14 in the initial years of the cooperative when it was young
15 maybe it does need some care and attention and loving care.

16 This is where its membership is very important,
17 but a cooperative is still no better than the support of
18 its membership, the way we look at it.

19 So a cooperative has the continued job of telling
20 the cooperative story to their members. I think the areas
21 that cooperatives right now need the most help in is
22 possibly in improving their position within the export
23 market system because today there isn't any real exporter,
24 there isn't anyone in the export business that really has
25 the concern for the U. S. farmers.

1 Most of the exporting companies are worldwide
2 companies: they really don't care whether they buy their
3 wheat from Australia, whether it is Canada, or whether it
4 is the United States or whether it is France or wherever.

5 I think the American cooperatives would have a
6 little different approach in their marketing on their
7 exporting than maybe some international grain company
8 would.

9 So I think they need some possible help and
10 encouragement in the export area. This is one reason that
11 we feel that the cooperatives should have a part in export
12 financing, and it is also the reason that we suggest that
13 the Department of Agriculture continue some of its work
14 in helping to develop or doing their studies on some of
15 the world grain marketing systems.

16 SECRETARY BERGLAND: I am not sure, Dr. Farris,
17 if this question should be directed to you or to
18 Mr. Naden or Mr. Thompson.

19 If anyone wants to answer it, please respond.
20 I was in New York State last fall and talking with dairy
21 producers and dairy leaders on the dairy question.

22 It seems that in that region of New York State --
23 and I understand this is happening in other parts of the
24 country -- profit oriented dairy processing organizations
25 were going into the rural community and identifying farms

1 that were situated on good, hard-top road close to town,
2 high volume producers, and offered them a premium for their
3 milk.

4 The cooperative was not able to meet that competi-
5 tion because the cooperative was providing the service to
6 producers who were very far away.

7 There were high transportation costs, and they
8 were trying to equalize transportation costs among all
9 members.

10 To make a long story short, many of the largest,
11 and I suppose some might say efficient producers, were taken
12 up by the profit motivated organization, quite properly.

13 It is all honest and fair and legal. Left a
14 cooperative, then, with producers whose costs were presumably
15 higher, at least the farms were smaller, and they were widely
16 scattered, and there was a big cost connection with gathering
17 the milk.

18 Put the cooperative at a substantial market
19 disadvantage, vis-a-vis the larger independent profit
20 motivated organization.

21 The worry was that the market out for those small
22 farms was going to be destroyed. I don't know if that is
23 a real worry or a fantasy, but it is conceivable it may
24 happen.

25 Do you see that kind of trend, any of you? And,

1 if so, what can be done about it or should be done about it?
2 Is this something that should just be left to the forces
3 of the marketplace?

4 DR. FARRIS: I am not as familiar with the dairy
5 in New England.

6 SECRETARY BERGLAND: If you can apply your know-
7 ledge to other commodities.

8 DR. FARRIS: It seems to me there are opportunities
9 to provide educational systems for cooperatives to develop
10 ways of serving the smaller farmer through absorbing some
11 of the costs of helping them search out alternatives.

12 When marketing changes, as it has today, it is
13 an investment of time and effort on the farmer to search
14 out and evaluate alternatives.

15 The larger farmers make that investment and can
16 afford to make that investment more effectively than the
17 smaller one who has less product to spread the cost.

18 There seems to be an opportunity for cooperatives
19 to step in, perhaps the land grant universities, to try
20 to find out ways of making information available to the
21 variety of farmers to help them evaluate their alternatives
22 so they will not have to bear that total burden of cost
23 themselves.

24 I think that is one of our challenges. And it
25 is one that I think will be growing as our markets change

1 further in the future.

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2 And as we face the kind of uncertainty you are
3 speaking about, Mr. Secretary, with the need to stay
4 up-to-date with timely information, the challenge of trying
5 to be of service to the smaller size farmers is one of the
6 general problems--also, grain, livestock and other commo-
7 dities.

8 SECRETARY BERGLAND: Mr. Covell, chicken prices
9 are below the cost of production for everybody, we think.

10 MR. COVELL: Yes, sir, you are right.

11 SECRETARY BERGLAND: And something has got to
12 give. There will be a reduction in the output of chicken,
13 I am sure, because of the way things are.

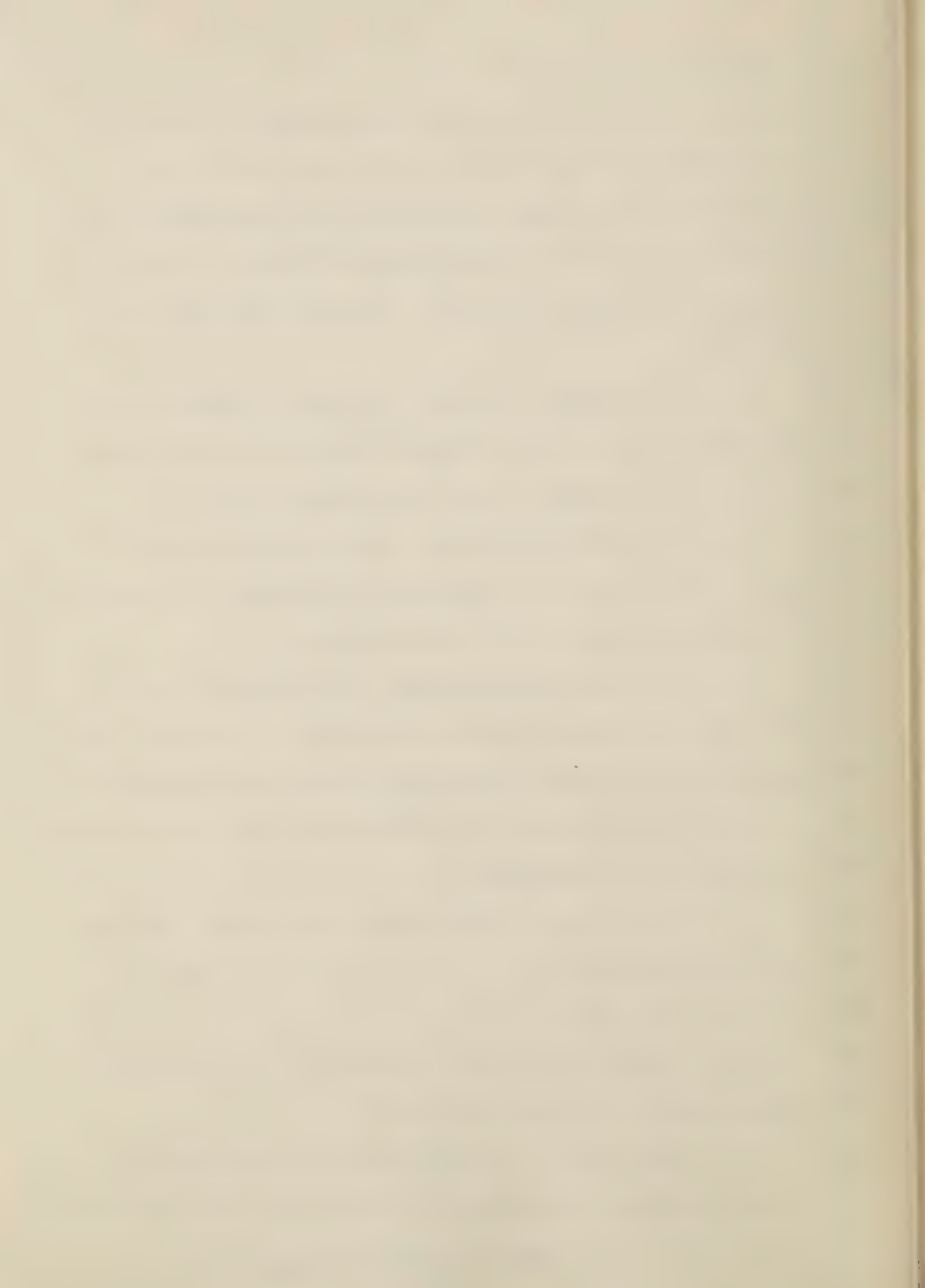
14 And we understand that, and we have no remedy.
15 We think the market forces will take care of itself. But
16 because of the highly structured nature, the integrated
17 nature of the industry, what happens now when the pressures
18 to contract are enormous?

19 What does an organization like yours -- are you
20 an integrated man?

21 MR. COVELL: Yes.

22 SECRETARY BERGLAND: What does an organization
23 like yours do in times like these?

24 MR. COVELL: At this point in time, sir, we
25 haven't made any adjustments. The industry last week, the



1 eggs were off three percent.

2 It takes approximately 60 days to grow a broiler,
3 so you are only talking, if you spread your bookings, that
4 is the time between the time the grower sells and buys.
5 That is about one or two days.

6 That is probably what most integrators are
7 doing. It means the grower instead of getting chicks back
8 in two weeks is going to get them back in two weeks and
9 two days.

10 That is not going to affect his income very much.
11 He has an opportunity to go now to five flocks a year.
12 There will be some inefficient producers that will be
13 dropped or set aside until such time as we have a change
14 in the market, but that goes on historically and the
15 inefficient producers go out of business and efficient
16 producers expand.

17 We do believe, however, that the three percent is
18 not enough cutback for a disposable income with a lot of
19 hogs. And the fact that we did expand our industry 10
20 percent next year, we think we before we see a profit mark-
21 up we must cut more than about 5 to 8 percent this year.

22 But there are built-in adjustment factors. If
23 an integrator cuts back, there are two ends of these things
24 as far the producer is concerned: one end being the egg
25 producer and the other being the grower.

1 What normally happens, the egg that would go to²⁸⁸
2 the hatchery or sold to the bakers, that cost is absorbed
3 by the integrator because you can't afford to liquidate
4 the breeder flock,

5 If he does that, it takes him six to eight months
6 to get that producing hen back on the nest. So normally
7 they absorb the cost of breaking the eggs.

4 8 As I pointed out here, the producer is insulated
B 9 against those losses because we are still paying him
10 whatever his contract was, whether he was an egg producer
11 or broiler producer, and the industry is absorbing the
12 loss.

13 When the market is profitable, we pay him about
14 the same amount of money, although they do participate, to
15 some degree, in the market. Of course, at that point, we
16 put money away to get us through these kinds of periods.

17 SECRETARY BERGLAND: Dr. Naden, there is a
18 continued controversy about the role of cooperatives in
19 a private enterprise competitive economy, and some argue
20 that cooperatives have certain tax advantages and therefore
21 provide unfair competition to profit motivated organizations.

22 There was quite a bit of question raised about
23 market domination and concentration of economic power in
24 cooperatives. What do you say about that?

25 DR. NADEN: Well, there are quite a few --

1 Mr. Secretary, there are quite a few charges being
2 bandied around these days.

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3 When we had the debate on the floor of the House
4 of Representatives on the Andrews Amendment, some of the
5 people objected to that curtailment of FTC, FTC intrusion
6 by naming a number of things and by condemning cooperatives.

7 But let me deal with just one which is a subject
8 of discussion, and that is the so-called bigness, the
9 domination issue you have heard of.

10 The main point to be discussed there and to be
11 pointed out is that bigness in terms of a large share of
12 the market may create a situation you could refer to as
13 monopoly share.

14 But monopoly share doesn't necessarily yield
15 market power or yield the opportunity to abuse consumers
16 or to abuse farmers.

17 And the reason for that, very simply, is that
18 the farmer and the cooperative do not attempt to control
19 the supply of the product.

20 When the total amount produced by farmers has
21 to move to market because of its perishability or because
22 of its lack of control or supply, the end result is a
23 market price and, therefore, when the total share moves
24 through one outlet, moves through one cooperative, you
25 have greater protection and greater security for the farmer.

1 But the total amount is still moving through 290
2 the market and there is no opportunity for abuse by con-
3 sumers.

4 Let me comment further. I have heard in other
5 areas of that kind of offer and that kind of behavior, but
6 most recently I have heard many farmers say they recognize
7 that kind of offering of a higher price as a kind of siren
8 song, a kind of a temporary short-term advantage which
9 could result in a serious disadvantage later.

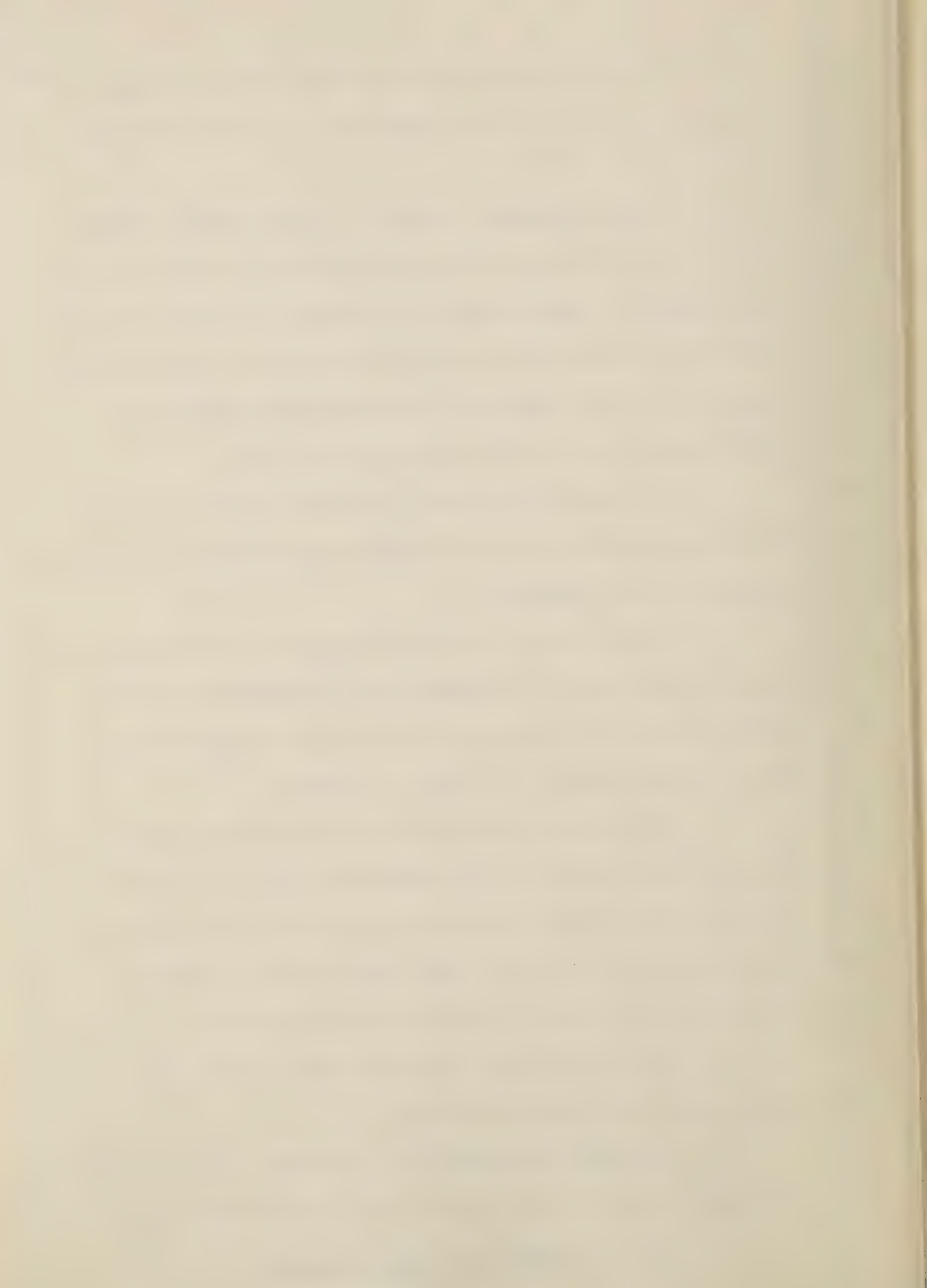
10 The main thing about the dairy farmer, in fact,
11 all farmers marketing their products want today is security,
12 home for their products.

13 There is no greater distress for a farmer to face
14 than to find that he is producing a perishable product--
15 grapes coming off the vine, milk being produced--than to
16 find that his outlet for that is curtailed.

17 I remember a few years ago hearing the distress
18 of the grape growers of California who did not belong to
19 a cooperative, whose crushers called them up one day and
20 they said they could only take three-quarters of their
21 supply because they had a year's supply of wine in vats.

22 Security is more important than price, and
23 farmers are now recognizing that.

24 SECRETARY BERGLAND: Dr. Thompson, one question,
25 and then I yield to Dr. Hjort. What do you think is the



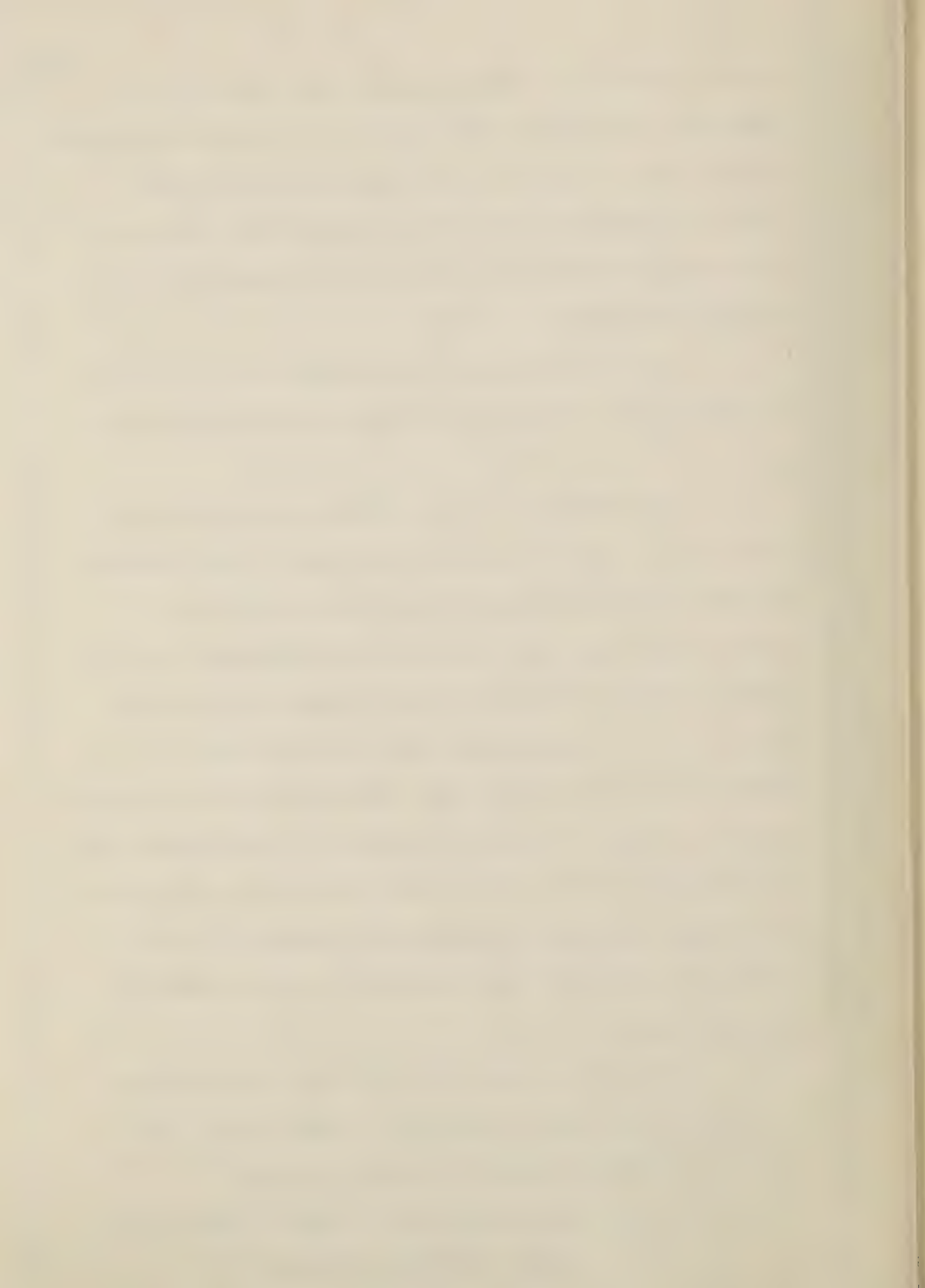
1 proper USDA role in helping farmers who are trying to
2 penetrate a market know that they have to deal with market
3 forces, quality control, and a whole host of things
4 rather sophisticated and USDA is charged with the job of
5 fostering and encouraging this sort of competition in
6 market development?

7 What do you think we should be doing that we
8 are not doing? Are we doing things we are not supposed
9 to be?

10 DR. THOMPSON: Well, I think you are doing a
11 good job in a lot of the areas, and then in New Hampshire
12 I have been very impressed in my dealings with the
13 extension service, which is not totally unusual, but in
14 terms of trying to develop some alternatives for small
15 farms, it is not clear to me that the activities of
16 information, particularly about some alternative marketing
17 outlets, things of various varieties, of direct marketing,
18 for example, it is not clear to me that that information
19 is readily available for individuals wanting to start --
20 wanting to get into -- and understand the economics of
21 roadside stands.

22 It is not clear to me all that information is
23 available. And that is one area, in particular, which
24 would be of direct benefit to small producers.

25 I don't see a sufficient volume of activity at



1 this point in tjme. There is, of course, a growing number
2 or direct marketing outlets, most of which are -- have been
3 formulated and are continued to operate without direct
4 involvement with USDA.

5 But I think more of that would be useful.

6 DR. HJORT: John, I have heard it argued that
7 co-ops actually have a net effect of impeding the trend
8 toward larger farms, super large farms, or slowing the
9 rate of decline in a number of farms and slowing the decline
10 in rural communities in that through large-scale purchasing
11 operations and marketing operations the advantages that
12 only the super large could find, would be of a size suffi-
13 cient enough to take advantage of, can be passed on to all
14 of the members of the co-op.

15 Would you address this question and how you see
16 this in terms of implications for structure?

17 MR. ANDERSON: Yes. Dr. Hjort, I believe -- well,
18 cooperatives, both the supply and marketing cooperatives,
19 I think, of course they enhance the economics of the
20 farmer members of these cooperatives.

21 And if the switch from, say, a small farm to
22 a large farm is because of the basic economics and a
23 cooperative helps a small farmer stay efficient and more
24 productive or lease cost type operation longer, then, yes,
25 I say yes.

1 By the same token, they give the same benefits
2 and advantages to a large farmer because in the cooperative
3 system the farmers share in proportion to the amount of
4 business that they do in an association, whether you be
5 small or large.

6 It is based on the dollar volume of purchases
7 you might make for the co-op or on the number of bushels
8 that you market in case of a grain or the number of animals
9 you market through a meat-packing cooperative.

10 It is an amount in proportion to the amount of
11 business you do with the association. They do have a very
12 important function, I think, as community builders,
13 particularly in the Mid-West.

14 There are a number of communities where a
15 cooperative may be the major business in town. It consists
16 of an elevator operation, a farm store, a petroleum
17 operation, and essentially the business of the community
18 revolves around what happens at the co-op.

19 I know a lot of small towns where the annual
20 co-op meeting is probably the biggest thing that happens
21 in the town.

22 I mentioned in my report in our particular case
23 we serve 245 communities in the Mid-West where the local
24 association has the only filling station in town and it is
25 something there that the people need and they rally around.

1 It is a community builder as far as rural
2 community is concerned. It does give the farmers a lot
3 more staying power as far as their cost input is concerned
4 or as far as their marketing operation is concerned because,
5 after all, they are the owners.

6 The Secretary mentioned competition between
7 corporations and cooperatives and advantages and disadvan-
8 tages, and actually we do business the same way.

9 The only difference in the cooperative system,
10 in a regular corporate system and a cooperative, our
11 stockholders and our customers are the same individuals
12 and you have a completely different relationship with your
13 customer on that basis.

14 We have a customer that is a stockholder. He
15 gets treated different than if he was just a customer and
16 not a stockholder and they share in our returns on the
17 basis.

18 DR. HJORT: Paul, I notice on one of your points
19 you are suggesting pursuing a vigorous antitrust policy.
20 Does this imply that you are becoming more increasingly
21 concerned about concentration in the marketing system?

22 DR. FARRIS: I think the trends are towards a
23 higher level of concentration. They are not dramatic, but
24 if you look at them over a time, they are continuing.

25 And I think it requires continued vigilance on

295
1 trying to understand what is going on and why concentration
2 is increasing.

3 I am enough concerned about it that I would want
4 to keep a vigilant eye on what is happening on both sectors
5 of agriculture.

6 DR. HJORT: This is kind of a general question,
7 but thinking in terms of our marketing system today and
8 its performance, how it is changing, what do you view --
9 what is your major concern, if any, about our marketing
10 system?

11 DR. FARRIS: I think the major concern I have
12 is in trying to protect sort of an open access system,
13 one in which the supplies and demands can be balanced in
14 some kind of competitive way.

15 The nature of agriculture is such that we cannot
16 have continuous flow of supply. There will be variations,
17 fluctuations in supply and fluctuations in demand.

18 There is a special need, it seems to me, in
19 agriculture for having competitive markets somewhere in
20 the channel that operate effectively.

21 I have a major concern about preserving at some
22 point in the channel competitive price discovery forces
23 of agriculture.

24 DR. HJORT: Do you detect that we are in a
25 situation where thin markets and so on make it increasingly

1 difficult to determine what the actual transaction price 296
2 really is?

3 DR. FARRIS: Yes. I think that it is moving
4 in that direction--more so in some commodities than
5 others.

6 DR. HJORT: Thank you.

7 SECRETARY BERGLAND: How come? Why is it becoming
8 more difficult in some commodities than others?

9 DR. FARRIS: I think it has to do with the
10 degree of coordination and integration that is occurring
11 in central markets.

12 In others, going back to grains, there is an
13 active futures market that has enough volume and enough
14 buyers and sellers that the trade has confidence in it.

15 It is continuing to thrive, and I have more
16 confidence that as long as that is preserved there is at
17 least a competitive price discovery point in the grain.

18 I am a little bit more concerned in some of the
19 livestock markets. I would like to see the futures markets
20 in livestock develop and carry the strength of trust that
21 seems to exist in the grains.

22 They are developing. Whether they can achieve
23 that degree, I don't know. I would hope so.

24 DR. HJORT: Mr. Covell, in your statement, you
25 actually make a fairly strong case for vertical integration,

1 or at least as it applied in the broiler industry.

2 We have the possibility -- it seems we are moving
3 in similar directions--somewhat different maybe, but with
4 respect to pork production and so on.

5 Do you anticipate that within the meat animal
6 industry, poultry, meat and competing products, that there
7 are potential gains to be had similar to those that have
8 been experienced in the broiler industry in your competition?

9 MR. COVELL: I would say if the economics were
10 there, that it will. I know that the people I have talked
11 to in the pork industry tell me it is highly capital-
12 intensive and it will probably move much slower.

13 Broilers--they have worked in this thing over
14 a long time. Integration started back in the Fifties, and
15 it didn't start really because the feed companies went out
16 and asked the grower to go on contract; the grower came in
17 and asked the feed company to put him on contract because
18 he couldn't stand the market risk.

19 He is selling broilers five days a week, 52 weeks
20 a year. The feed company was better able to spread its
21 market than the producer. I am not that close to the hog
22 producers and I don't know whether they, in fact, would
23 like a feed company to become part of an integrated system
24 or not.

25 I do know there are large feed companies that are

1 integrated and they are actually owning facilities and
2 so on. I don't believe they are taking farmers into that.

3 I think they are building and working in that
4 direction. But we in the broiler industry actually took
5 the grower, the producer, in on the contract.

6 DR. HJORT: And it does seem to me that the hogs
7 segment of it is moving in a little different direction,
8 but do you see the potential for producers with relatively
9 small operations and feeding them into a contract or
10 somebody that provides the feed and takes it to market?

11 MR. COVELL: I would say that is a good possi-
12 bility. For instance, in a particular broiler operation,
13 we would have to double our capital costs if we owned all
14 the chicken houses.

15 So I would think that anybody who wanted to get
16 into hog production and have a packing plant, a feed mill,
17 whatever, these capital costs would be so much less if he
18 could get the farmer to be part of that, where he actually
19 owns the facilities and the land, produces the pigs, et
20 cetera. I would think it would be a good possibility.

21 DR. HJORT: Thank you. Ken, let's turn to a
22 topic that hasn't come up, gasohol, and the role of
23 cooperatives in that process.

24 You have heard some argue that a potential problem
25 here is one that perhaps the cooperative approach can be

1 used to prevent it from becoming a serious problem--that
2 being small on-farm stills, in effect, that do not have
3 a high enough proof for it to be commercial operation.

4 And I have heard it described simply like a milk
5 collecting operation where it would be a centralized
6 facility collecting the excess from a number of farmer
7 members.

8 What do you see as the potential along these
9 lines?

10 DR. NADEN: I hear from the cooperatives around
11 the country that there is an intense interest in this and
12 they look on it as a considerably valuable potential for
13 production of gasahol.

14 I know at the present time there is intensive
15 debate as to what is economical and what is not economical
16 and how far to go and how much subsidy should be attached
17 to this operation and that operation.

18 But I also know that they feel that it is
19 essential in the national interest to reduce this dependence
20 upon imported oil, and gasahol is one route we should take.

21 It is certainly not a cure-all, but one route
22 that should be thoroughly examined and should be taken.
23 I do know that some of the cooperatives of the country
24 have now recently voted to allocate capital to appoint
25 persons on their staff to coordinate gasahol production

1 studies and examine it more carefully, and I look for them 300
2 to be a leader and a source of considerable production
3 sometime in the future.

4 DR. HJORT: Another major topic and perhaps one
5 of greater importance right now is the transportation
6 situation--the railroads and so on.

7 What do you see as the role of cooperatives with
8 respect to the future transportation system that serves
9 the nation?

10 DR. NADEN: Well, cooperatives are already active
11 in truck transportation, both in trucks owned by one
12 cooperative, just its own private transportation, and
13 jointly owned transportation companies.

14 These are becoming a strong factor both for the
15 injection of competition for the reduction of rates and
16 for better service.

17 And they are holding their own and doing well.
18 On the railroad side, the cooperatives have not up to this
19 time played any role that I am aware of in improving
20 transportation services as such.

21 In other words, farmers haven't gone into
22 railroading that I am aware of; they have gone into
23 trucking and they have gone into processing and many other
24 things, but they haven't gone into railroading.

25 Now there is a very keen interest and a very

1 active current study going on among our members as to
2 whether or not there should be cooperative endeavors in
3 railroading for the purposes of investing in capital --
4 enrolling stock, investing in track lines, and maintaining
5 some branch lines, which are extremely important to farmers,
6 but which the railroads want to abandon and might have
7 authority to abandon.

8 Again the issue comes up to potential support
9 from the states--state subsidies, Federal subsidies--
10 either in terms of ownership of roadbed -- but that is not
11 being overlooked, and I wouldn't be at all surprised to
12 see some experimental work, some direct investments in
13 railroading owned by farmers to try to keep the branch line
14 service open, particularly in those areas where truck
15 transportation is not so feasible, too far away, where the
16 farmers of the cooperative installation is a captive
17 shipper and there just isn't the competition there should
18 be.

19 But that is under consideration now.

20 DR. HJORT: Mr. Thompson --

21 SECRETARY BERGLAND: Would you yield, Howard,
22 on this point? Ken, do you think that there is -- we
23 ought to investigate the feasibility of establishing REA
24 Government role in financing these enterprises?

25 DR. NADEN: That is part of the study, I don't

1 think the studies I am aware of have proceeded to the stage
2 where we are ready to review what the role of the Government
3 is.

4 They are just studying and investigating it and
5 seeing how much it will cost and how much service can be
6 offered. It is a very complicated thing, and I am a complete
7 novice of it.

8 I hear some of the complications they are talking
9 of and they frighten me, but it is something that can't
10 be overlooked.

11 SECRETARY BERGLAND: Thank you.

12 DR. HJORT: Mr. Thompson, you addressed the
13 question of direct marketing with respect to small farmers.
14 In some of the hearings, as you know, the question of
15 marketing came up, and at least in the one that I attended,
16 and I understand in others there were concerns expressed
17 on the part of small producers that were not able, it
18 seemed, to break into serving even local markets.

19 What I want to ask you is since we as a nation
20 seem to be thinking increasingly about deregulation, is
21 there something in our present marketing system, in our
22 grades and standards and marketing orders and so on that
23 makes it very difficult for the smaller producers to
24 compete?

25 Are we at a point where because everything has to

1 in a certain size package and graded and standard in that
2 way to facilitate or to accommodate our marketing system,
3 that we have built in too many rigidities?

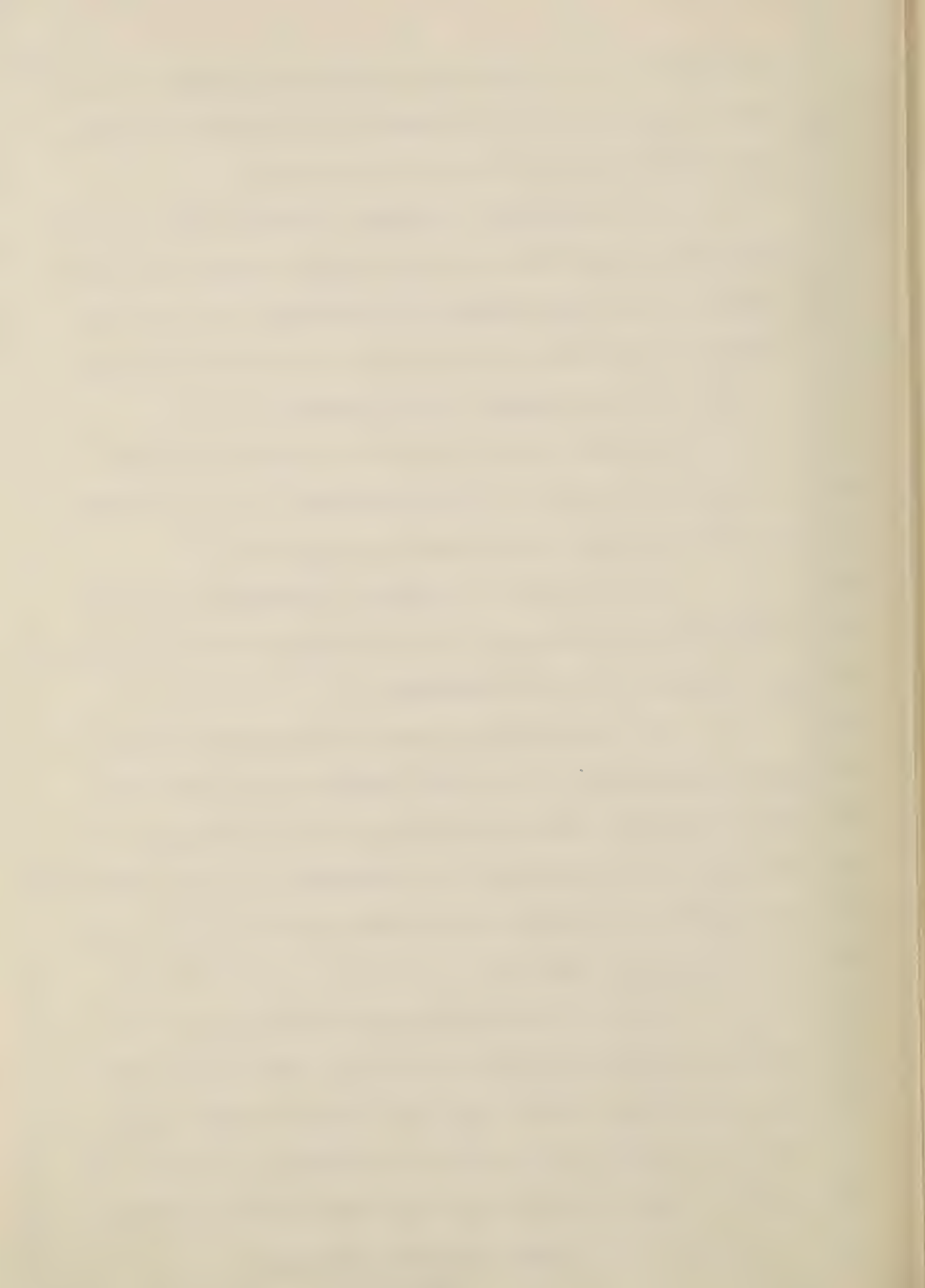
4 DR. THOMPSON: I believe we have in some respects.
5 The state of California in their study on the family small
6 farms indicated they thought in vegetable production the
7 grades were preventing local marketing because the grades
8 were set up for certain obvious reasons.

9 In other words, if you are producing a tomato
10 in California to sell on the East Coast, it has to arrive
11 on the East Coast in a marketable condition.

12 The same kind of standard, necessarily, or the
13 same quality of tomatoes, the same characteristics wouldn't
14 be necessary for local marketing.

15 As I have looked around at the country in the
16 Northeast and South--I am more familiar with those two
17 areas than other parts of the country--it is not so much
18 that the grades themselves are preventing the small producers
19 from getting involved in those areas as such; it is simply
20 a matter of not knowing.

21 It is a very old form of marketing, but it is
22 very new in terms of its renovation in this country, and
23 a lot of farmers simply don't know how to do that: what
24 do I do. I want to do something different; I want to get
25 into or I want to investigate the feasibility of farmers



1 market or what are the economics of roadside stands or what
2 are the other alternatives I have.

3 Do you have any information about these alternatives?
4 I think it is extremely important to the smaller producer,
5 and I think we have to look into the effects of marketing
6 and what they do to local marketing.

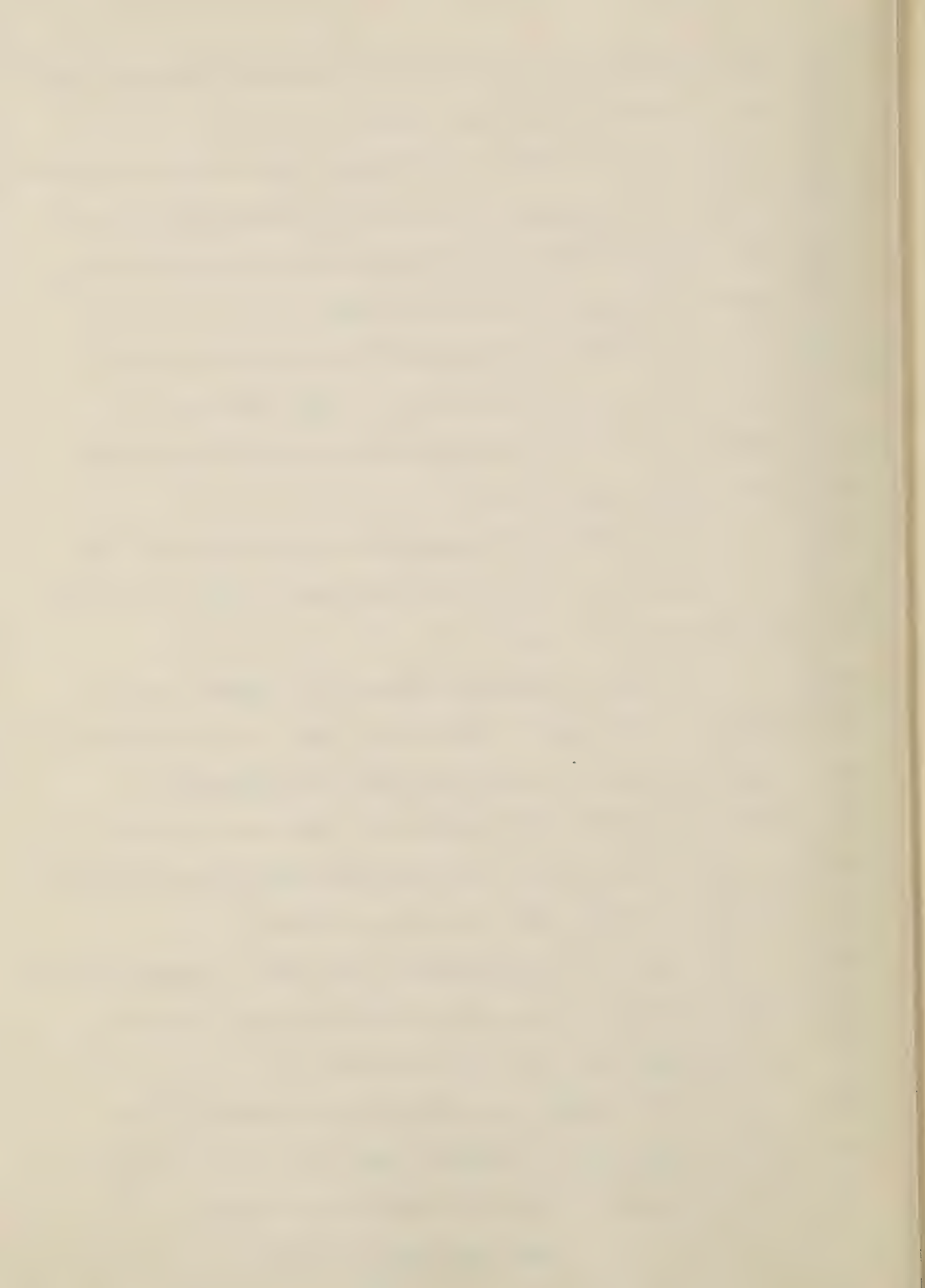
7 I wouldn't necessarily think that that is an
8 option per se in the Northeast. In the Northeast, for
9 example, I think the increased attention is on localized
10 decentralized operations.

11 I think the Northeast has had a couple of close
12 calls, being at the end of the food chain--very close calls
13 in terms of food supply.

14 That is not only a concern of farmers, but a
15 concern of consumers in that area. And I think things we
16 can do that will increase our local self-reliance --
17 obviously you can't do everything in New Hampshire that
18 you can in California, but direct marketing seems to provide
19 some very low cost ways of getting involved.

20 And I am not suggesting that the Government totally
21 subsidize and run those, but I think a strong increased
22 informational role would be important.

23 DR. HJORT: I was struck in the summary of the
24 hearings that in the Northeast there was a fairly strong
25 pitch--statements that they needed to become more



1 self-sufficient.

2 On the other hand, on the other coast in
3 California, there was a fairly strong concern that was
4 registered over what was happening to transportation costs
5 and would they be able to compete with the rest of the
6 country.

7 How do you see these changes in transportation
8 and changes in energy affecting these regional distri-
9 butions?

10 DR. THOMPSON: I don't think there is any question
11 it has to raise the cost. It is not clear to me and I
12 haven't studied that particular problem close enough to
13 know exactly what the energy costs have done to the food
14 prices, but it is also making consumers aware as some of
15 these local marketing outlets have developed that
16 New Hampshire and Massachusetts can grow local products
17 that can be available to the consumers.

18 As much as anything, the quality is an issue for
19 consumers, and it is something which I don't think a
20 tomato that is suitable for cross-country travel is
21 necessarily the most tasty desirable consumer product.

22 And I think these local options have opened up
23 that possibility, but again it is not easy to get these
24 things established.

25 It is not easy, for example. The most recent

1 interest in New Hampshire has been in wholesaling, direct
2 breaking into wholesaling markets, trying to get into
3 state institutions in the local school districts and
4 restaurants and grocery stores, and it is not easy to
5 break the dependency that those buyers have on our current
6 marketing system.

7 But I think they are also interested. I had an
8 interesting conversation with the food managers of hospitals
9 in Massachusetts, and they were quite fascinated to learn
10 that there were individuals locally interested in doing
11 that and a number of food managers had begun to buy local
12 products, and they were quite happy not only with price,
13 but with quality.

14 DR. HJORT: Thank you.

15 SECRETARY BERGLAND: Thank you very much for
16 coming and taking the time to prepare for testimony and
17 sharing your views with us. We appreciate it. The
18 hearing will stand adjourned until 10 past 9:00 in the
19 morning.

20 (Whereupon, at 5:40 p.m., the meeting was
21 adjourned, to reconvene at 9:10 a.m., April 30, 1980)
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2 REPORTER'S CERTIFICATE
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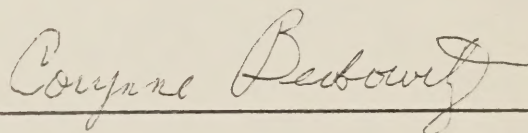
5 CASE TITLE: Structure of American Agriculture and Rural Com-
6 munities

7 HEARING DATE: April 29, 1980

8 LOCATION: Washington, D.C.
9

10 I hereby certify that the proceedings and evidence
11 herein are contained fully and accurately on the tapes and
12 notes reported by me at the hearing in the above case before
13 the United States Department of Agriculture
14 and that this is a true and correct transcript of the same.
15

16 Date: May 12, 1980
17

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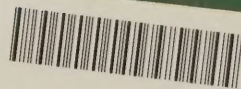
place reported by me at the time and place stated herein.

The United States Department of Agriculture

and that this is a true and correct statement of the facts.

Date: May 11, 1938

Special Agent
John Edgar Hoover
U.S. Department of Justice
Washington, D.C. 20535



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